ADDENDUM A
RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR HEALTH AUTHORIZING THE UNDERTAKING OF A FINANCING, INCLUDING THE EXECUTION AND DELIVERY OF NOT TO EXCEED $280,000,000 AGGREGATE PRINCIPAL AMOUNT OF CERTIFICATES OF PARTICIPATION EVIDENCING PROPORTIONATE UNDIVIDED INTERESTS IN INSTALLMENT PAYMENTS TO BE MADE BY PALOMAR HEALTH PURSUANT TO ONE OR MORE INSTALLMENT SALE AGREEMENTS, APPROVING THE FORMS OF, AND AUTHORIZING THE EXECUTION AND DELIVERY AND/OR APPROVAL OF THE DOCUMENTS, AGREEMENTS AND INSTRUMENTS REQUIRED IN CONNECTION THEREWITH, INCLUDING SUCH INSTALLMENT SALE AGREEMENTS, ONE OR MORE PURCHASE AGREEMENTS, ONE OR MORE TRUST AGREEMENTS, ONE OR MORE SUPPLEMENTAL MASTER INDENTURES FOR MASTER INDENTURE OBLIGATIONS, ONE OR MORE MASTER INDENTURE OBLIGATIONS, ONE OR MORE CERTIFICATE PURCHASE AGREEMENTS, ONE OR MORE OFFICIAL STATEMENTS, AND ONE OR MORE CONTINUING DISCLOSURE UNDERTAKINGS RELATING TO SAID CERTIFICATES OF PARTICIPATION, AUTHORIZING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH, AND APPROVING THE FINANCING FOR PURPOSES OF SECTION 147(f) OF THE INTERNAL REVENUE CODE.

WHEREAS, Palomar Health (the “District”) is a local health care district duly organized and existing under The Local Health Care District Law, constituting Division 23 of the Health and Safety Code of the State of California (the “District Act”);

WHEREAS, the District proposes to finance (including reimburse itself for its prior payment of) certain costs of the acquisition, construction, expansion, improvement, renovation and equipping of certain health care facilities owned and operated by the District (the “New Project”); and

WHEREAS, the District also wishes to refund and prepay certain certificates of participation executed and delivered in 2006 (the “2006 Certificates”) pursuant to the trust agreement, dated as of December 1, 2006, between U.S. Bank Trust Company, National Association, as successor trustee, and the North San Diego County Health Facilities Financing Authority (the “2006 Authority”), evidencing an undivided proportionate interest of the holders thereof in certain installment payments to be made by the District pursuant to the installment sale agreement, dated as of December 1, 2006, between the District and the 2006 Authority, the proceeds of which were used by the District to finance and refinance certain costs of acquisition, construction, expansion, improvement, renovation, and equipping of certain health care facilities owned and operated by the District (the “Prior Project”); and
WHEREAS, in connection with such refunding and prepayment of the 2006 Certificates, the District also wishes to finance certain termination costs of the swap agreements associated with such 2006 Certificates (the “Swap Termination Project” and, together with the New Project and the Prior Project, the “Project”); and

WHEREAS, the health care facilities that comprise, or are related to, the Project are located within the territory that comprises the District’s local health care district; and

WHEREAS, in order to facilitate such financing and refinancing of the Project (hereinafter collectively referred to as the “Financing”), the District has requested the assistance of the California Municipal Finance Authority (the “Authority”), which was created pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “JPA Act”);

WHEREAS, pursuant to the JPA Act, a number of California cities, counties and special districts entered into a joint exercise of powers agreement (the “CMFA JPA Agreement”) pursuant to which the Authority was organized;

WHEREAS, the District is a Member (as such term is defined in the CMFA JPA Agreement) of the Authority;

WHEREAS, pursuant to the provisions of the District Act, the District is authorized to purchase, dispose of, convey and encumber its property for the benefit of the District;

WHEREAS, in order to facilitate the Financing, the District proposes to enter into one or more Purchase Agreements (each, a “Purchase Agreement”) with the Authority, pursuant to which the District will convey certain real property (the “Real Property”) to the Authority;

WHEREAS, in order to facilitate the Financing, the District proposes to enter into one or more Installment Sale Agreements (each, a “Sale Agreement”) with the Authority, pursuant to which the Authority will convey the Real Property back to the District;

WHEREAS, in order to facilitate the Financing, the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), will enter into one or more Trust Agreements (each, a “Trust Agreement”), pursuant to which the Trustee will execute and deliver certain certificates of participation in one or more series (collectively, the “2022 Certificates” and each a “Series” of 2022 Certificates), evidencing a proportionate undivided interest in installment payments (the “Installment Payments”) to be made by the District under the applicable Sale Agreement, which Installment Payments shall be in an aggregate amount equal to the aggregate principal amount of the 2022 Certificates so executed and delivered;

WHEREAS, the District is the Credit Group Representative under the Master Trust Indenture, dated as of December 1, 2006, as amended and supplemented to the date hereof, among the District, Arch Health Partners, Inc. and U.S. Bank Trust Company, National Association, as successor master trustee (the “Master Trustee”);
WHEREAS, in order to further secure and evidence the obligations of the District under the Sale Agreement, the District, as Credit Group Representative, proposes to enter into one or more Supplemental Master Indentures for Master Indenture Obligations (each, a “2022 Supplement”) with U.S. Bank Trust Company, National Association, as successor master trustee, pursuant to which one or more Palomar Health Master Indenture Obligations (each, a “2022 Obligation”) will be issued;

WHEREAS, in the event that the Chief Executive Officer of the District and the Chief Financial Officer of the District determine that it is in the best interest of the District to secure or support any or all Series of the 2022 Certificates by insurance, surety bond and/or other security arrangements, each applicable Trust Agreement and each applicable 2022 Supplement will include additional covenants in connection therewith; and

WHEREAS, Citigroup Global Markets Inc. (hereinafter referred to as the “Underwriter”) proposes to purchase the 2022 Certificates pursuant to one or more Certificate Purchase Agreements (each, a “Certificate Purchase Agreement”), to be executed and delivered by the Underwriter and agreed to and accepted by the District and the Authority;

WHEREAS, the proceeds of the sale of each Series of the 2022 Certificates will be applied as set forth in the applicable Trust Agreement (i) to finance and refinance the Project, (ii) to fund capitalized interest and/or a debt service reserve fund if the Chief Executive Officer of the District or the Chief Financial Officer of the District determines that it is in the best interest of the District to do so, and/or (iii) to pay certain costs of delivery incurred in connection with the execution and delivery of the any Series of 2022 Certificates;

WHEREAS, in order to facilitate the offering of the 2022 Certificates by the Underwriter, the District proposes to approve, execute and deliver one or more Official Statements (collectively, the “Official Statement”), describing the 2022 Certificates and related matters;

WHEREAS, in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15(c)2-12(b)(5), the District proposes to execute and deliver one or more Continuing Disclosure Undertakings (each, a “Continuing Disclosure Undertaking”);

WHEREAS, in connection with the defeasance of the 2006 Certificates, the District proposes to execute and deliver one or more Escrow Agreements (each, an “Escrow Agreement”);

WHEREAS, in order to accomplish the foregoing, it will be necessary for the District to approve and/or execute and deliver the following documents, instruments and agreements, forms of which have been prepared and presented to this meeting:

(1) A proposed form of the Purchase Agreement;

(2) A proposed form of the Sale Agreement;

(3) A proposed form of the Trust Agreement;
(4) A proposed form of the 2022 Supplement, including a proposed form of the 2022 Obligation;

(5) A proposed form of the Certificate Purchase Agreement;

(6) A proposed form of the Official Statement;

(7) A proposed form of the Continuing Disclosure Undertaking; and

(8) A proposed form of the Escrow Agreement;

WHEREAS, on October 11, 2022, the District caused to be posted on the District’s website a notice of public hearing, which remained continuously published on the District’s website for the entire period of at least 7 days from the date of the original posting through the date hereof, concerning the proposed issuance by the District of tax-exempt certificates of participation, in one or more series, from time to time, to finance and refinance the Project;

WHEREAS, on the date hereof, the Board of Directors of the District (the “Board of Directors”) held a public hearing for purposes of Section 147(f) of the Internal Revenue Code of 1986 (the “Code”) at which interested persons were given an opportunity to express their views concerning the issuance of tax-exempt obligations to finance and refinance the Project and on the nature and location of the Project;

WHEREAS, the Board of Directors is the elected legislative body of the District and is the applicable elected representative required to approve the execution and delivery of the 2022 Certificates evidencing the Installment Payments for the purpose of financing and refinancing the Project under (i) Section 147(f) of the Code and (ii) Section 4 of the CMFA JPA Agreement;

WHEREAS, the Board of Directors desires (i) to approve the Financing, including the execution and delivery of each Series of the 2022 Certificates evidencing the Installment Payments for the purpose of financing and refinancing the Project, such approval to constitute approval for purposes of Section 147(f) of the Code and Section 4 of the CMFA JPA Agreement, (ii) to approve and/or authorize and direct the execution and delivery of each of the above-identified documents, instruments and agreements for each Series of the 2022 Certificates (hereinafter collectively referred to as the “Financing Documents”), (iii) to authorize the execution and delivery by the Trustee of each Series of the 2022 Certificates pursuant thereto and (iv) to authorize the taking of such other actions as shall be necessary to consummate the Financing as referred to and described in the Financing Documents and herein; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the actions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such actions for the purpose, in the manner and upon the terms herein provided;
NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. Recitals. The foregoing recitals are true and correct and the Board of Directors so finds and determines.

Section 2. Authorization of Execution and Delivery of 2022 Certificates. The execution and delivery of each Series of the 2022 Certificates, each Series as tax-exempt or federally taxable obligations and all 2022 Certificates in an aggregate principal amount not to exceed two hundred eighty million dollars ($280,000,000), is hereby authorized and approved.

Section 3. Approval for Purposes of Section 147(f) of the Code and Section 4 of the CMFA JPA Agreement; Statement of Official Intent. It is the purpose and intent of the Board of Directors that this Resolution constitute approval of the Financing, including execution and delivery of each Series of the 2022 Certificates evidencing the Installment Payments for the purpose of financing and refinancing the Project, such approval to constitute approval for purposes of Section 147(f) of the Code and Section 4 of the CMFA JPA Agreement. It also is the purpose and intent of the Board of Directors that this Resolution constitute a statement of official intent, pursuant to Section 1.150-2 of the Treasury Regulations, to reimburse the costs of the New Project paid prior to the date the 2022 Certificates are executed and delivered, in an amount not to exceed one hundred and thirty million dollars ($130,000,000).

Section 4. Purchase Agreement. The proposed form of Purchase Agreement presented to this meeting is hereby approved. The Chief Executive Officer of the District or the Chief Financial Officer of the District is hereby authorized and directed to execute and deliver one or more Purchase Agreements in substantially said form, with such changes therein as the officer executing the same (each, an “Authorized District Representative”), with the advice of counsel to the District (“District Counsel”), may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Sale Agreement. The proposed form of Sale Agreement presented to this meeting is hereby approved. Each Authorized District Representative is hereby authorized and directed to execute and deliver one or more Sale Agreements in substantially said form, provided that the total of the purchase price specified in all the Sale Agreements does not exceed two hundred and eighty million dollars ($280,000,000), and with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. Trust Agreement. The proposed form of Trust Agreement presented to this meeting is hereby approved. Each Authorized District Representative is hereby authorized and directed to approve the execution and delivery of one or more Trust Agreements in substantially said form, with such changes therein as the officer executing the related Sale Agreement, with the advice of District Counsel, may require or approve, such approval of the execution and delivery of each Trust Agreement by the Authority and the Trustee to be conclusively evidenced by the execution and delivery of the related Sale Agreement by an Authorized District Representative. The payment dates, the interest components, terms of prepayment, with such name or names or series designations, whether as tax-exempt or federally
taxable obligations, whether secured or supported by insurance, surety bond and/or other security arrangements, and other terms of the Series of 2022 Certificates being executed and delivered pursuant to such Trust Agreement shall be as provided in such Trust Agreement, as finally executed; provided, however, that without further approval from this Board, all 2022 Certificates shall be in an aggregate principal amount not exceed two hundred and eighty million dollars ($280,000,000), shall have a final stated Certificate Payment Date (as such term is defined in each Trust Agreement) not exceeding thirty-five (35) years from the date of initial execution and delivery and the initial true interest cost for all 2022 Certificates shall not be in excess of 6.25%. Proceeds of each Series of the 2022 Certificates shall be applied as provided in the applicable Trust Agreement as finally executed.

Section 7. 2022 Supplement. The proposed form of 2022 Supplement presented to this meeting is hereby approved. Each Authorized District Representative is authorized and directed to execute and deliver one or more 2022 Supplements in substantially said form, with such changes therein, including, but not limited to, additional covenants in connection with securing or supporting the applicable Series of 2022 Certificates with insurance, surety bond and/or other security arrangements, as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. 2022 Obligation. The proposed form of 2022 Obligation presented to this meeting is hereby approved. Each Authorized District Representative is authorized and directed to execute and deliver one or more 2022 Obligations in substantially said form, with such changes therein, including, but not limited to, additional covenants in connection with securing or supporting the applicable Series of 2022 Certificates with insurance, surety bond and/or other security arrangements, as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 9. Certificate Purchase Agreement. The proposed form of Certificate Purchase Agreement presented to this meeting is hereby approved. Each Authorized District Representative is hereby authorized and directed to execute and deliver one or more Certificate Purchase Agreements in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, which Certificate Purchase Agreement or Certificate Purchase Agreements shall provide for the sale of all the 2022 Certificates to the Underwriter at a purchase price equal to the aggregate principal amount of all the 2022 Certificates, less an Underwriter's discount not to exceed 1.1% of the aggregate principal amount of all the 2022 Certificates, less any agreed upon original issue discount, plus any agreed upon original issue premium.

Section 10. Official Statement. The Official Statement presented to this meeting in preliminary form is hereby approved. The Official Statement in preliminary form may be deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12) by either Authorized District Representative for purposes of compliance with Rule 15c2-12 and the
distribution of the Official Statement in such preliminary form as is deemed final by an Authorized District Representative to persons who may be interested in the purchase of 2022 Certificates is hereby authorized. Each Authorized District Representative is hereby authorized and directed, for and in the name and on behalf of the District to execute and deliver to the Underwriter the final Official Statement, in substantially said form, with such changes therein, as may be necessary or appropriate to cause the final Official Statement to carry out the intent of this Resolution and to comply with the terms of the Certificate Purchase Agreement (or Certificate Purchase Agreements) and as the Authorized District Representative executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized and directed to deliver a copy of the Official Statement, as finally executed, to all actual purchasers of 2022 Certificates.

Section 11. Continuing Disclosure Undertaking. The proposed form of Continuing Disclosure Undertaking presented to this meeting is hereby approved. Each Authorized District Representative is hereby authorized and directed to execute and deliver one or more Continuing Disclosure Undertakings in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 12. Escrow Agreement. The proposed form of Escrow Agreement presented to this meeting is hereby approved. Each Authorized District Representative is hereby authorized and directed to execute and deliver one or more Escrow Agreements in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 13. Professional Services. Citigroup Global Markets Inc. shall serve as underwriter for the 2022 Certificates. Kaufman, Hall & Associates, Inc. shall serve as financial advisor to the District in connection with the execution and delivery of the 2022 Certificates. Orrick, Herrington & Sutcliffe LLP shall serve as bond counsel and disclosure counsel to the District in connection with the execution, delivery and sale of the 2022 Certificates. Moss Adams LLP shall provide such accounting services as are required in connection with the execution, delivery and sale of the 2022 Certificates. Either Authorized District Representative is hereby authorized to enter into agreements with such firms for such services.

Section 14. Further Authorization. Each Authorized District Representative or any designee of either thereof, acting singly, hereby is, and each of them hereby is, authorized and directed, for and in the name and on behalf of the District, to do any and all things and to execute and deliver, or provide for the delivery of, any and all documents, agreements, instructions, and certificates, including signature certificates, no-litigation certificates, tax certificates or verification reports, and to enter into any and all agreements necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the transactions contemplated by any of the documents and agreements authorized to be executed and delivered pursuant to this Resolution, including, but not limited to, such documents, agreements, instruments or certificates to be executed in connection with the Swap Termination Project as well as securing or supporting any Series of the 2022 Certificates with insurance, surety bond and/or other security.
arrangements, if any. The Secretary of the Board of Directors or an Assistant Secretary of the Board of Directors is hereby authorized to attest to any signature of the Chair of the Board of Directors or Authorized District Representative on any of the documents, instruments, certificates and agreements authorized by this Resolution.

Section 15. Ratification of Actions. All actions heretofore taken by the officers and agents of the District, including, without limitation, the Chair of the Board of Directors and each Authorized District Representative or any designee thereof with respect to the Financing and the execution, sale and delivery of the 2022 Certificates are hereby ratified, confirmed and approved.

Section 16. Subsequent Actions. All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the Financing Documents or any of the other documents authorized by this Resolution, including, without limitation, any of the foregoing which may be necessary or desirable in connection with any amendment of any of the Financing Documents or any of the other documents authorized by this Resolution and any refunding, prepayment or defeasance of the 2022 Certificates or in connection with the Swap Termination Project, may be given or taken by any Authorized District Representative without further authorization by the Board of Directors, and each Authorized District Representative is hereby authorized and directed to give any such approval, consent, direction, notice, order or request and to take any such action which such Authorized District Representative, with the advice of District Counsel, may deem necessary or desirable to further the purposes of this Resolution and the transactions contemplated hereby.

Section 17. Effective Date. This Resolution shall take effect from and after its adoption.
PASSED AND ADOPTED by the Board of Directors of Palomar Health on the 18th day of October, 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

Dated: October 18, 2022.

By: ___________________________
    Linda Greer, RN
    Chair, Board of Directors
    Palomar Health

Attested:

______________________________
Terry Corrales, RN
Secretary, Board of Directors
PALOMAR HEALTH,  
as Seller  

and  

CALIFORNIA MUNICIPAL FINANCE AUTHORITY,  
as Purchaser  

PURCHASE AGREEMENT  
Dated as of November 1, 2022
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EXHIBIT A  LEGAL DESCRIPTION OF REAL PROPERTY

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4147-7194-7581.3

ADD A-11
PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT, dated as of November 1, 2022 (as further defined in Section 1.1 of the hereinafter defined Trust Agreement, the “Purchase Agreement”), between the CALIFORNIA MUNICIPAL FINANCE AUTHORITY, a joint powers authority duly organized and existing under and pursuant to the laws of the State of California (as further defined in Section 1.1 of the Trust Agreement, the “Authority”) and PALOMAR HEALTH, a local health care district and political subdivision duly organized and existing under the laws of the State of California (as further defined in Section 1.1 of the Trust Agreement, the “District”);

WITNESSETH:

WHEREAS, the Authority is a joint exercise of powers authority organized and operating under the provisions of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (commencing with Section 6500);

WHEREAS, the District is a local health care district duly organized and existing under the laws of the State of California;

WHEREAS, the District proposes to undertake the financing (including the reimbursement for its prior payment), or the reimbursement for its prior payment, of certain costs incurred or to be incurred in connection with the acquisition, construction, expansion, renovation, improvement and equipping of certain health care facilities, owned and operated (or to be owned and operated) by the District (as further defined in Section 1.1 of the Trust Agreement, the “New Project”);

WHEREAS, the District proposes to refund and prepay certain certificates of participation executed and delivered in 2006 (the “2006 Certificates”), evidencing an undivided proportionate interest of the holders thereof in certain installment payments to be made by the District, the proceeds of which were used by the District to finance and refinance certain costs of acquisition, construction, expansion, improvement, renovation, and equipping of its health care facilities and, in connection with such refunding and prepayment, pay termination costs of the swap agreements associated with such 2006 Certificates (as further defined in Section 1.1 of the Trust Agreement, the “Prior Project” and, together with the New Project, the “Project”);

WHEREAS, the health care facilities which comprise the Project are located within the territory which comprises the District’s local health care district;

WHEREAS, the District is a member of the Authority and in order to facilitate the financing and refinancing of the cost of the Project (the “Financing”), the District has requested the assistance of the Authority;

WHEREAS, in order to facilitate the Financing, the District proposes to sell certain real property (as further defined in Section 1.1 of the Trust Agreement, the “Real Property”) to the Authority and the Authority desires to purchase the Real Property from the District upon the terms and conditions set forth herein;
WHEREAS, in order to facilitate the Financing, the Authority proposes to enter into that certain Installment Sale Agreement, dated as of November 1, 2022 (the “Sale Agreement”), with the District pursuant to which the Authority will sell the Real Property back to the District;

WHEREAS, also in order to facilitate the Financing, the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), propose to enter into a Trust Agreement, dated as of November 1, 2022 (the “Trust Agreement”), pursuant to which the Trustee will agree to execute and deliver certificates of participation (the “Certificates”), each evidencing a proportionate interest in installment payments (as more fully defined in Section 1.1 of the Trust Agreement, the “Installment Payments”) to be made by the District pursuant to the Sale Agreement in an aggregate amount equal to the aggregate principal amount of Certificates so executed and delivered;

WHEREAS, after due investigation and deliberation, the Authority has approved the application of the District and has authorized the Financing, including the execution and delivery of this Purchase Agreement, the Sale Agreement and the Trust Agreement, and the execution and delivery of the Certificates; and

WHEREAS, the Authority and the District have duly authorized the execution and delivery of this Purchase Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I.
DEFINITIONS

Section 1.1. Definitions. Unless the context clearly otherwise requires, all capitalized terms used herein shall have the meanings assigned to such terms in the Trust Agreement, as originally executed or as it may from time to time be supplemented, modified or amended as provided therein.

ARTICLE II.
PURCHASE AND SALE OF THE REAL PROPERTY

Section 2.1. Purchase and Sale of the Real Property. In consideration of the purchase price set forth in Section 2.2 hereof, the District hereby grants, and conveys to the Authority the Real Property described on Exhibit A attached hereto. The Authority and the District agree that title to the Real Property shall immediately be deemed conveyed to and vested in the Authority. The Authority hereby purchases the Real Property for such purchase price and accepts the grant and conveyance of the Real Property. The District and the Authority agree that neither grant deeds nor any other documents evidencing such grant and conveyance shall be recorded because such grant and conveyance are incident to a financing and result (when taken together with the conveyance made in the Sale Agreement) in the District having title to the Real Property both prior to and following such conveyances.
Section 2.2. Purchase Price. The purchase price of the Real Property is [purchase price in words] dollars ($[ ]), payable on the date of execution and delivery hereof through the deposit of the proceeds derived from the sale of the Certificates with the Trustee in accordance with Section 3.2 of the Trust Agreement, such proceeds to be applied as set forth in, and subject to the conditions of, the Trust Agreement.

ARTICLE III.
USE OF CERTIFICATE PROCEEDS; PROHIBITED USES

Section 3.1. Use of Certificate Proceeds. In consideration of the purchase of the Real Property by the Authority hereunder, the District shall construct, renovate, expand and equip the portion of the New Project being financed from the proceeds of the Certificates, or cause the portion of the New Project being financed from the proceeds of the Certificates to be constructed, renovated, expanded and equipped, and shall proceed with due diligence and use its best efforts to cause the construction, renovation, expansion and equipment thereof to be completed by the third anniversary of the Date of the Certificates, unforeseeable delays beyond the reasonable control of the District only excepted.

Section 3.2. Prohibited Uses. No portion of the proceeds of the Certificates shall be used to finance or refinance any facility, place or building used or to be used: (i) primarily as a place for religious worship or for facilities used for vocational religious training for the useful life of the Project; (ii) by a person not a “501(c)(3) organization” or a “governmental unit” within the meaning of Section 145 of the Code (including the District); or (iii) by a “501(c)(3) organization” in an “unrelated trade or business” within the meaning of Section 513(a) of the Code, in such manner or to such extent as would result in loss of the exclusion from gross income pursuant to Section 103 of the Code of interest payable with respect to the Certificates.

ARTICLE IV.
PURCHASE AGREEMENT DEFAULTS AND REMEDIES

Section 4.1. Purchase Agreement Defaults Defined. The following shall be “Purchase Agreement Defaults” under this Purchase Agreement and the terms “Purchase Agreement Defaults” or “default” shall mean, whenever they are used in this Purchase Agreement, any one or more of the following events:

(a) Failure by the Authority to observe and perform any covenant, condition or agreement in this Purchase Agreement on its part to be observed or performed for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Authorized Representative of the District, unless the District shall agree in writing to an extension of such time; or

(b) A Sale Agreement Default.

Section 4.2. Remedies on Default. Whenever any Purchase Agreement Default referred to in Section 4.1 hereof shall have happened and be continuing, the Trustee, as assignee of the District, may take whatever action at law or in equity as may appear necessary or desirable to enforce performance and observance of any obligation, condition or covenant of the Authority under this Purchase Agreement.
Section 4.3. **No Remedy Exclusive.** No remedy herein conferred upon or reserved to the District or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Purchase Agreement or now or hereafter existing at law or in equity or by statute. No delay in exercising or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the District or the Trustee to exercise any remedy reserved to them by this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given to the District hereunder shall also extend to the Trustee, and the District, the Trustee and the Holders of the Certificates executed and delivered pursuant to the Trust Agreement shall be deemed third party beneficiaries of all covenants and conditions herein contained.

Section 4.4. **No Additional Waiver Implied by One Waiver.** In the event any agreement contained in this Purchase Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE V.
MISCELLANEOUS

Section 5.1. **Notices.** All notices or communications herein required or permitted to be given shall be in writing mailed, sent by facsimile or by Electronic Means, or delivered as follows:

(i) If to the Authority:

California Municipal Finance Authority  
2111 Palomar Airport Rd., Suite 320  
Carlsbad, California 92011  
Attention: John P. Stoecker  
Telephone: (760) 930-1221

(ii) If to the District:

Palomar Health  
456 E. Grand Avenue  
Escondido, California 92025  
Attention: Chief Financial Officer  
Telephone: (760) 740-6385

(iii) If to the Trustee:

U.S. Bank Trust Company, National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071
Section 5.2. **Binding Effect.** This Purchase Agreement shall inure to the benefit of and shall be binding upon the Authority and the District and their respective successors and assigns.

Section 5.3. **Severability of Invalid Provisions.** In the event any provision of this Purchase 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 5.4. **Complete Agreement; Amendments.** This Purchase Agreement (together with the Sale Agreement and the Trust Agreement) represents the entire contract between the parties. This Purchase Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the Authority and the District, with the concurring written consent of the Trustee, given in accordance with the provisions of the Trust Agreement.

Section 5.5. **Governing Law and Venue.** This Purchase Agreement is a contract made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Purchase Agreement shall be enforceable in the State of California, and any action arising out of this Sale Agreement shall be filed and maintained in San Diego County, California, unless the Authority waives this requirement.

Section 5.6. **Further Assurances.** The Authority and the District agree that they will, from time to time, execute and deliver any and all such further agreements, instruments or other assurances as may be reasonably necessary for carrying out the intention of or facilitating the performance of this Purchase Agreement.

Section 5.7. **Waiver of Personal Liability.** No director, member, officer, agent or employee of the Authority or any director, officer, agent or employee of the District shall be individually or personally liable for the payment of any sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Purchase Agreement, but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Purchase Agreement.

Section 5.8. **Disclaimer of Warranties.** The District makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Authority of the Real Property or the Facilities or the Project, or any portion thereof. Except as is provided in the Sale
Agreement, in no event shall the District be liable for incidental, indirect, special or consequential damages, in connection with this Purchase Agreement or the existence, furnishing, or functioning of the Real Property or the Facilities or the Project, or the Authority’s or any other person’s use of the Real Property or the Facilities or the Project.

Section 5.9. **No Merger.** The parties acknowledge that the District constitutes the seller of the Real Property under this Purchase Agreement and the purchaser of the Real Property under the Sale Agreement. The Sale Agreement and this Purchase Agreement represent, and in all respects of any nature whatsoever shall always represent, be interpreted as and constitute, separate and distinct obligations. Under no circumstances whatsoever shall a merger of the roles or obligations of the District as seller under this Purchase Agreement and purchaser under the Sale Agreement occur or be deemed to occur.

Section 5.10. **Execution of Counterparts.** This Purchase Agreement may be simultaneously executed in several counterparts, all of which shall constitute but one and the same instrument.
IN WITNESS WHEREOF, the CALIFORNIA MUNICIPAL FINANCE AUTHORITY has caused this Purchase Agreement to be signed in its name by a duly authorized signatory and PALOMAR HEALTH has caused this Purchase Agreement to be signed by its duly authorized officer, all as of the date first above written.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY

By ____________________________
Authorized Signatory

PALOMAR HEALTH

By ____________________________
President and Chief Executive Officer
EXHIBIT A

Legal Description of Real Property

[To come]
PALOMAR HEALTH,  
as Purchaser  

and  

CALIFORNIA MUNICIPAL FINANCE AUTHORITY,  
as Seller  

_________________________  
INSTALLMENT SALE AGREEMENT  
Dated as of November 1, 2022  
_________________________
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INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, dated as of November 1, 2022 (as further defined in Section 1.1 of the hereinafter defined Trust Agreement, this “Sale Agreement”), between the CALIFORNIA MUNICIPAL FINANCE AUTHORITY, a joint exercise of powers authority duly organized and existing under and pursuant to the laws of the State of California (as further defined in Section 1.1 of the Trust Agreement, the “Authority”), and PALOMAR HEALTH, a local health care district and political subdivision duly organized and existing under the laws of the State of California (as further defined in Section 1.1 of the Trust Agreement, the “District”);

WITNESSETH:

WHEREAS, the Authority is a joint exercise of powers authority organized and operating under the provisions of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (commencing with Section 6500);

WHEREAS, the District is a local health care district duly organized and existing under the laws of the State of California;

WHEREAS, the District proposes to undertake the financing (including the reimbursement for its prior payment) of certain costs incurred or to be incurred in connection with the acquisition, construction, expansion, renovation, improvement and equipping of certain health care facilities, owned and operated (or to be owned and operated) by the District (as further defined in Section 1.1 of the Trust Agreement, the “New Project”);

WHEREAS, the District proposes to refund and prepay certain certificates of participation executed and delivered in 2006 (the “2006 Certificates”), evidencing an undivided proportionate interest of the holders thereof in certain installment payments to be made by the District, the proceeds of which were used by the District to finance and refinance certain costs of acquisition, construction, expansion, improvement, renovation, and equipping of its health care facilities and, in connection with such refunding and prepayment, pay termination costs of the swap agreements associated with such 2006 Certificates (as further defined in Section 1.1 of the Trust Agreement, the “Prior Project” and, together with the Prior Project, the “Project”);

WHEREAS, the healthcare facilities which comprise the Project are located within the territory which comprises the District’s local health care district;

WHEREAS, the District is a member of the Authority and in order to facilitate the financing and refinancing of the cost of the Project (the “Financing”), the District has requested the assistance of the Authority;

WHEREAS, in order to facilitate the Financing, the District has sold certain real property (as further defined in Section 1.1 of the Trust Agreement, the “Real Property”) to the Authority and the Authority has purchased the Real Property from the District upon the terms and conditions set forth in a Purchase Agreement, dated as of November 1, 2022 (as further defined in Section 1.1 of the Trust Agreement, the “Purchase Agreement”), between the Authority and the District;
WHEREAS, in order to facilitate the Financing, the Authority is entering into this Sale Agreement with the District pursuant to which the Authority will sell the Real Property back to the District upon the terms and conditions set forth herein;

WHEREAS, the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), propose to enter into a Trust Agreement, dated as November 1, 2022 (the “Trust Agreement”), pursuant to which the Trustee will agree to execute and deliver certificates of participation (the “Certificates”), each evidencing a proportionate interest in installment payments (as more fully defined in Section 1.1 of the Trust Agreement, the “Installment Payments”) to be made by the District under this Sale Agreement in an aggregate amount equal to the aggregate principal amount of Certificates so executed and delivered;

WHEREAS, in order to secure and evidence its obligations under this Sale Agreement, the District will issue Palomar Health Master Indenture Obligation No. 12 (as further defined in Section 1.1 of the Trust Agreement, “Obligation No. 12”), pursuant to the Master Trust Indenture, dated as of December 1, 2006 (as further defined in Section 1.1 of the Trust Agreement, the “Master Indenture”), between the District and U.S. Bank Trust Company, National Association, as successor master trustee (as further defined in Section 1.1 of the Trust Agreement, the “Master Trustee”), as supplemented by Supplemental Master Indenture for Master Indenture Obligation No. 12, dated as of November 1, 2022 (as further defined in Section 1.1 of the Trust Agreement, “Supplement No. 12”), between the District and the Master Trustee;

WHEREAS, after due investigation and deliberation, the Authority has approved the application of the District and has authorized the Financing, including the execution and delivery of this Sale Agreement, the Purchase Agreement and the Trust Agreement, and the execution and delivery of the Certificates; and

WHEREAS, the Authority and the District have duly authorized the execution and delivery of this Sale Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I.
DEFINITIONS; INTERPRETATION; CONTENT OF CERTIFICATES

Section 1.1. Definitions. Unless the context clearly otherwise requires, all capitalized terms used herein shall have the meanings assigned to such terms in the Trust Agreement, as originally executed or as it may from time to time be supplemented, modified or amended as provided therein.

Section 1.2. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.
(b) Heads of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Sale Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Sale Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.3. Content of Certificates, Orders, Statements, Requests. Every Certificate, Order, Statement or Request provided for in this Sale Agreement with respect to compliance with any provision hereof shall, as and to the extent applicable, comply with the requirements set forth in Section 1.2 of the Trust Agreement.

ARTICLE II.
REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the District. The District makes the following representations and warranties to the Authority as of the date of the execution of this Sale Agreement and as of the date of delivery of the Certificates to the initial purchaser(s) thereof (such representations and warranties to remain operative and in full force and effect regardless of delivery of the Certificates or any investigations by or on behalf of the Authority or the results thereof):

(a) The District is a local health care district duly organized and existing under the laws of the State of California and has the requisite legal right, power and authority to enter into each of the Financing Documents, and to carry out and consummate all transactions contemplated by each of the Financing Documents and by proper corporate action has duly authorized the execution, delivery and performance of each of the Financing Documents.

(b) The officers of the District executing each of the Financing Documents are duly and properly in office and fully authorized to execute the same.

(c) Each of the Financing Documents has been duly executed and delivered by the District and constitutes the legal, valid and binding agreements of the District, enforceable against the District in accordance with its terms for the benefit of the Holders of the Certificates, except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles if equitable remedies are sought.

(d) The execution and delivery of each of the Financing Documents, the consummation of the transactions therein contemplated and the fulfillment of or compliance with the terms and conditions thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any indenture, mortgage, deed of trust, agreement, lease, contract or other agreement or instrument to which the District is a party or by which the District or any of its properties is otherwise subject or bound, or, to the knowledge of the District, after reasonable inquiry and investigation, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or result in the creation or
imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Financing Documents or the financial condition, assets, properties, or operations of the District.

(e) No consent or approval of any trustee or holder of any indebtedness 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 the Financing Documents or the consummation of any transaction therein contemplated, or the fulfillment of or compliance with the terms and conditions thereof, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the District, after reasonable inquiry and investigation, threatened against or affecting the District or its assets, properties or operations, which, if determined adversely to the District or its interests, could have a material adverse effect upon the consummation of the transactions contemplated by or the fulfillment of or compliance with the terms and conditions of or the validity of any of the Financing Documents or upon the financial condition, assets, properties or operations of the District.

(g) No written information, exhibit or report furnished to the Authority by the District in connection with the negotiation of the Financing Documents, and no official statement or other offering document in connection with the execution and delivery of the Certificates, if any, as of its date or as of the date hereof, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) All financial statements and information heretofore delivered to the Authority by the District, including without limitation, information relating to the financial condition of the District and the Members of the Obligated Group, accurately present the financial position thereof and have been prepared (except where specifically noted therein) in accordance with generally accepted accounting principles consistently applied. Since the date of such statements, there has been no material adverse change in the financial condition or results of operations of the District or the other subjects of such statements.

(i) The District has good and marketable title to the Real Property and the Facilities, free and clear from all Liens other than Permitted Liens (as such term is defined in the Master Indenture).

(j) The District is not in material default (and no event has occurred and is continuing which, with the giving of notice or the passage of time or both, could constitute a material default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions
contemplated by the Financing Documents or the financial condition, assets, properties or operations of the District.

(k) All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State and the federal government have been or will be obtained with respect to the acquisition, construction and installation of the Project and any portion of the Project to be acquired, constructed and installed and the Facilities will be operated pursuant to and in accordance with such certificates, approvals, permits and authorizations.

(l) The District acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing or refinancing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to such financing or refinancing to which the District is a party or of which it is a beneficiary, including the Trust Agreement; that it understands the risks inherent in such transactions; and that it has not relied on the Authority for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Financing Documents and the Trust Agreement or otherwise relied on the Authority for any advice.

(m) The District has retained or shall retain the services of a qualified rebate analyst to perform any and all calculations required to demonstrate compliance with its covenants herein with respect to the requirements of Section 148 of the Code as applicable to the Installment Payments and the Certificates.

(n) The District does not restrict admissions to its healthcare facilities or restrict its services on the basis of race, religion, color, sex, source of income, physical disability, national origin, or marital status.

(o) The District complies in all materials respects with all applicable Environmental Regulations.

(p) Neither the District nor the 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, Environmental Regulations.

(q) The District does not have any material contingent liability in connection with any release of any Hazardous Substances into the environment.

(r) The District has received all discretionary approvals and any other approvals required under the California Environmental Quality Act, as amended, Division 13 of the California Public Resources Code for the New Project and all applicable appeal, challenge or referendum periods for such approvals have expired prior to the date hereof.

Section 2.2. Representations and Warranties of the Authority

The Authority makes the following representations:

(a) The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State and is duly authorized to perform its obligations under this
Sale Agreement.

(b) All requirements have been met and procedures have occurred in order to authorize the execution and delivery of this Sale Agreement. The Authority has taken all necessary action and has complied with all provisions of the law required to make this Sale Agreement a valid and binding limited obligation of the Authority, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(c) Nothing in this Sale Agreement shall be construed as requiring the Authority to provide any financing or refinancing for the Project other than the proceeds of the Certificates or to provide sufficient moneys for all of the cost of financing or refinancing the Project.

(d) To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Authority that (i) affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates or the execution and delivery of this Sale Agreement, the Purchase Agreement, the Trust Agreement or the Tax Certificate (hereinafter collectively referred to as the “Authority Documents”) (ii) affects or questions the validity or enforceability of the Certificates or the Authority Documents or (iii) questions the tax-exempt status of interest on the Installment Payments or the Certificates.

ARTICLE III.
PURCHASE AND SALE OF THE REAL PROPERTY;
ISSUANCE OF OBLIGATION NO. 12

Section 3.1. Purchase and Sale of the Real Property. In consideration of the purchase price set forth in Section 4.1 hereof, the Authority grants and conveys to the District the Real Property described on Exhibit A attached hereto. The District hereby purchases the Real Property for such purchase price and accepts conveyance of the Real Property. The Authority and the District agree that title to the Real Property shall immediately be deemed conveyed to and vested in the District, but agree that neither grant deeds nor any other document evidencing such grant and conveyance shall be executed or recorded because such grant and conveyance are incident to a financing and result (when taken together with the conveyances made in the Purchase Agreement) in the District having title to the Real Property both prior to and following such conveyances.

Section 3.2. Issuance of Obligation No. 12. As additional consideration for the conveyance of the Real Property to the District, the District agrees to issue and cause to be authenticated and delivered to the Authority or its designee, pursuant to the Master Indenture and Supplement No. 12, Obligation No. 12 in substantially the form set forth in Section 11 of Supplement No. 12. The Authority agrees that Obligation No. 12 shall be registered in the name of the Trustee.
Section 3.3. Restrictions on Number and Transfer of Obligation No. 12.

(a) The Authority and the District agree that, except as provided in subsection (b) of this Section, so long as any Installment Payments remain unpaid, Obligation No. 12 shall be issuable only as a single obligation without coupons registered as to principal and interest in the name of the Trustee and no transfer of Obligation No. 12 shall be registered under the Master Indenture or be recognized by the District except for transfers to a successor Trustee.

(b) Upon the principal component of all Installment Payments being declared due and payable, Obligation No. 12 may be transferred if and to the extent that the Trustee requests that the restrictions of subsection (a) of this Section be terminated.

ARTICLE IV.
PAYMENT PROVISIONS

Section 4.1. Purchase Price.

(a) The purchase price of the Real Property is [purchase price in words] dollars ($[[]]) (the “principal component”) payable at the times and amounts corresponding with the Certificate Payment Dates, principal components and interest accruing at the rates set forth in Section 2.2 and 2.3 of the Trust Agreement. While the Certificates are in the Initial Fixed Period, the purchase price of the Real Property is payable in accordance with the schedule set forth in Section 4.1(b), plus the interest to accrue on the unpaid balance of such principal component over the term of this Purchase Agreement. All amounts attributable to interest (the “interest component”) shall be calculated and determined in accordance with the provisions set forth in Article II of the Trust Agreement concerning the method of determining interest represented by the Certificates and shall be paid by the District as and constitute interest.

(b) Subject to Section 7.2, the District shall pay the purchase price through the Installment Payments over a period of approximately [[]] years. Subject to Section 7.2, while the Certificates are in the Initial Fixed Period, the Installment Payments are payable in accordance with the schedule set forth in Exhibit B hereto and incorporated therein. Subject to Section 7.2, while the Certificates are in the Initial Fixed Period, the interest component of the Installment Payments shall be calculated at the rates per annum set forth in the schedule below and paid on the fifth Business Day prior to each Interest Payment Date, and the principal component of the Installment Payments shall be paid annually by the District on the fifth Business Day prior to November 1 in each of the years set forth in the schedule below:

<table>
<thead>
<tr>
<th>Date (November 1)</th>
<th>Amount Attributable to Principal</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>[[]]†</td>
<td>$[[]]</td>
<td>[[][]]%</td>
</tr>
</tbody>
</table>

† Final Installment Payment Date

The Installment Payments shall be made to the Trustee at the Principal Office. In the event the District should fail to make any of the Installment Payments required by this Section 4.1, the
Installment Payments so unpaid shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with interest thereon at a rate of interest equal to the rate of interest on the unpaid principal components of such unpaid Installment Payments. Upon conversion of the Certificates from the Initial Fixed Period, the District shall provide the Trustee a new schedule of Installment Payments in substantially the form set forth in this Section 4.1(b) and Exhibit B, revised to reflect such Conversion.

(c) Subject to Section 7.2, the District shall pay to the Authority, or cause to be paid, at the time this Sale Agreement is executed and delivered, an amount sufficient to pay any taxes which may be imposed by the State or the County of San Diego on the sale, resale, use, possession or ownership of the Real Property conveyed pursuant to this Sale Agreement and the Purchase Agreement. If the State or the County of San Diego later requires the payment of additional taxes on such sale, and resale, use, possession or ownership, the District will pay such amounts when and as due and payable.

Section 4.2. Supplemental Payments. In addition to the Installment Payments provided for in Section 4.1, subject to Section 7.2, the District agrees to pay to the Authority, the Trustee, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Remarketing Agent (if any), as the case may be, or the designated agent of any of them, “Supplemental Payments,” as follows:

(a) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby or by the Purchase Agreement or the Trust Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Authority or the Trustee and taxes based upon or measured by the net income of the Authority or the Trustee; provided, however, (i) that the District shall have the right to protest and contest any such taxes or assessments and to require the Authority or the Trustee, at the District’s sole expense, to protest and contest any such taxes or assessments levied upon the Authority or the Trustee and (ii) that the District shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Holders of the Certificate, the Authority or the Trustee;

(b) All fees, charges and expenses of the Trustee hereunder and under the Trust Agreement or otherwise in connection with the Certificates, the reasonable fees, charges, expenses and indemnities of the Remarketing Agent (if any) under the Remarketing Agreement, the Liquidity Facility Provider (if any) under the Liquidity Facility (if any), and the Credit Facility Provider (if any), as and when the same become due and payable;

(c) The fees and expenses of such accountants, management consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports or opinions or to provide such other services required under any of the Financing Documents;
(d) The Authority Issuance Fee and the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Financing Documents, the Certificates or the Trust Agreement, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, sale, execution and delivery of any such Certificates or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving this Sale Agreement, the other Financing Documents, the Certificates or the Trust Agreement or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the District, its properties, assets or operations or otherwise in connection with the administration of the Financing Documents; and

(e) Any amounts due and payable by the District as arbitrage rebate under Section 148 of the Code, pursuant to District’s covenants and agreements with respect thereto in this Sale Agreement and the Tax Certificate.

Such Supplemental Payments shall be billed to the Authorized Representative of the District by the Authority, the Trustee, the Remarketing Agent (if any), the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any), from time to time. Amounts so billed shall be paid by the District within thirty (30) days after receipt of such bill. Notwithstanding the foregoing, the Authority shall not be required to submit a bill to the District for payment of any amounts due with respect to arbitrage rebate under Section 148 of the Code, the calculation and payment for which is the responsibility of the District.

The Authority Issuance Fee shall be paid to the Authority by the District on the Certificate Delivery Date. The District’s obligation to pay the Authority Issuance Fee shall in no way limit amounts payable by the District to the Authority under the Financing Documents, including for the enforcement thereof.

The provisions of this Section 4.2 shall survive the termination of this Sale Agreement.

Section 4.3. Obligations of the District Unconditional; Net Contract. Subject to Section 7.2, the obligations of the District to make the Installment Payments and Supplemental Payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Certificates remain Outstanding or any Supplemental Payments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Real Property or the Facilities, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision thereof or in the rules or regulations of any governmental authority, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Sale Agreement, the Purchase Agreement or the Trust Agreement. This Sale Agreement shall be deemed and construed to be a “net contract,” and the District shall pay absolutely net the Installment Payments,
Supplemental Payments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that the District might otherwise have against the Authority or the Trustee or any other party or parties.

**Section 4.4. Credits for Payments.** The District shall receive credit against the payments required under Section 4.1, in addition to any credits resulting from payment or repayment from other sources, as follows:

(a) on installments of interest in an amount equal to moneys in the Interest Fund to the extent such amounts have not previously been credited against such payments;

(b) on installments of principal in an amount equal to moneys in the Principal Fund to the extent such amounts have not previously been credited against such payments; and

(c) on installments of principal and interest in an amount equal to the principal represented by the Certificates for the payment at their respective Certificate Payment Dates or prepayment of which sufficient amounts (as determined by Section 10.2 of the Trust Agreement) in cash or Defeasance Securities are on deposit as provided in Section 10.2 of the Trust Agreement to the extent such amounts have not previously been credited against such payments, and the interest represented by such Certificates from and after the date fixed for payment at their respective Certificate Payment Dates or prepayment thereof. Such credits shall be made against the installments of principal and interest which would have been used, but for such call for prepayment, to pay the principal and interest represented by such Certificates when due or called for mandatory prepayment; and

(d) on installments of principal and interest in an amount equal to the principal represented by the Certificates acquired by the District and delivered to the Trustee for cancellation or purchased by the Trustee and cancelled, and the interest represented by such Certificates from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay the principal and interest represented by such Certificates when due, and with respect to Certificates called for mandatory prepayment, against principal installments which would have been used to pay Certificates of the same date.

**Section 4.5. Prepayment.** The District shall have the right at any time or from time to time to the extent, in the manner and as permitted by Section 4.1 of the Trust Agreement, to prepay all or any part of the Installment Payments due from the District, and the Authority shall accept such prepayments when the same are tendered by the District, and the Trustee shall call for prepayment Certificates as directed by the District.

(a) All prepayments being made from moneys derived from condemnation awards or the proceeds of hazard insurance relating to the Facilities shall be deposited in the Special Prepayment Account and used for the prepayment or purchase of Outstanding Certificates in the manner and subject to the terms and conditions set forth in Section 4.1(A) and Section 5.4 of the Trust Agreement.

(b) All prepayments being made from Mandatory Sinking Account Payments shall be deposited in the Sinking Account and used for the prepayment or purchase of Outstanding...
Certificates in the manner and subject to the terms and conditions set forth in Sections 4.1(K) and Section 5.3(E) of the Trust Agreement.

(c) All prepayments being made by the District pursuant to Sections 4.1(B), (C), (D), (E), (F) and (G) of the Trust Agreement shall be deposited in the Optional Prepayment Account and, at the request of the Authorized Representative of the District, credited against Installment Payments due from the District in order of their due date or used for the prepayment or purchase of Outstanding Certificates in the manner and subject to the terms and conditions set forth in Sections 4.1(B), (C), (D), (E), (F) and (G), as applicable, and Section 5.4 of the Trust Agreement.

(d) The District shall also have the right to surrender to the Trustee for cancellation Certificates acquired by the District in any manner whatsoever, and such Certificates, upon such surrender and cancellation, shall be deemed to be paid and retired and shall be applied as set forth in Section 5.3(G) of the Trust Agreement.

(e) Prior to any prepayment of Installment Payments pursuant to subsection (a), (c) or subsection (d) above, the Authorized Representative of the District shall deliver to the Trustee: (i) a Statement of the District identifying the Certificate Payment Dates and Mandatory Sinking Account Payment Dates, if applicable, of the Certificates to be prepaid through such prepayments of Installment Payments; and (ii) a new schedule of Installment Payments in substantially the form set forth in Section 4.1(b) and Exhibit B, revised to reflect such prepayment.

Notwithstanding any such prepayment or surrender of Certificates, as long as any Certificates remain Outstanding or any Installment Payments or Supplemental Payments remain unpaid, the District shall not be relieved of its obligations hereunder.

Section 4.6. Payment of Purchase Price of the Certificates. The District agrees that, if a Liquidity Facility or a Credit Facility is not in effect with respect to the Certificates or if the Liquidity Facility Provider or Credit Facility Provider, as applicable, has not paid the full amount required by the Trust Agreement at the times required under the Trust Agreement, it shall pay to the Trustee the Additional Funding Amount, to the extent required pursuant to Section 4.10(D)(iii) of the Trust Agreement. Each such payment by the District to the Trustee pursuant to this Section shall be in immediately available funds and paid to the Trustee at its Corporate Trust Office by 2:45 p.m., New York City time, on each date upon which a payment is to be made pursuant to Section 4.10(D)(iii) of the Trust Agreement.

Section 4.7. Funding of Reserve Fund. The District shall pay to the Trustee for deposit in the Reserve Fund in accordance with Section 5.5(D) of the Trust Agreement such amount and at the times as is required to be deposited to replenish any prior withdrawal from the Reserve Fund. In addition, on any date of valuation of the Investment Securities in the Reserve Fund pursuant to Section 5.5(E) of the Trust Agreement, if the amount then on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the District shall, within one hundred twenty (120) days after receiving notice of such valuation, pay to the Trustee an amount sufficient to increase the balance in the Reserve Fund to the Reserve Fund Requirement.
ARTICLE V.
PARTICULAR COVENANTS

Section 5.1. **Delivery of Reports and Records.** The District agrees to deliver, or cause to be delivered, to the Trustee and the Authority (if requested by the Authority) each item mentioned in Section 3.12 of the Master Indenture within the time periods mentioned therein for delivery of such items to the Master Trustee. Copies of any such items delivered to the Trustee pursuant to this Section shall be delivered by the Authorized Representative of the District or the designee of the Authorized Representative of the District to any Holder, to the extent such items are not available on the Electronic Municipal Market Access (“EMMA”) website of the Municipal Securities Rulemaking Board (the “MSRB”), upon such Holder’s written request. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the District's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Certificates of the District). The Trustee shall have no duty to review or make independent investigation with respect to any of the foregoing received by the Trustee and shall hold the same solely as repository.

Section 5.2. **Tax Covenant.** The District shall not take any action, or fail to take any action, if such action or failure to take action would adversely affect the exclusion from gross income for federal income tax purposes under Section 103 of the Code of the interest component payable with respect to Certificates. Without limiting the generality of the foregoing, the District agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Certificates.

Section 5.3. **Prohibited Uses.** No portion of the proceeds of the Certificates shall be used to finance or refinance any facility, place or building used or to be used: (i) primarily as a place for religious worship or for facilities used for vocational religious training for the useful life of the Project; (ii) by a person not a “501(c)(3) organization” or a “governmental unit” within the meaning of Section 145 of the Code (including the District); or (iii) by a “501(c)(3) organization” in an “unrelated trade or business” within the meaning of Section 513(a) of the Code, in such manner or to such extent as would result in loss of the exclusion from gross income pursuant to Section 103 of the Code of interest component payable with respect to the Certificates.

Section 5.4. **Liquidity Facility; Alternative Liquidity Facility.**

(a) The District may, at any time at its sole option, deliver to the Trustee a Liquidity Facility or an Alternate Liquidity Facility in substitution for a Liquidity Facility, or may, at any time at its sole option (subject to the notice and mandatory tender provisions set out in the Trust Agreement) proceed without a Liquidity Facility with respect to the Certificates available for use by the Trustee to provide for the purchase of Certificates upon their optional or mandatory tender in accordance with the Trust Agreement. Any Liquidity Facility or Alternate Liquidity Facility shall be in an amount equal to the Required Stated Amount.

(b) Any Liquidity Facility or Alternate Liquidity Facility delivered to the Trustee pursuant to this Section 5.4 shall be delivered and become effective not later than the
Business Day prior to the date on which the former Liquidity Facility, if any, terminates, expires or is replaced and shall contain administrative provisions reasonably acceptable to the Remarketing Agent. On or prior to the date of the delivery of the Liquidity Facility or Alternate Liquidity Facility to the Trustee, the District shall furnish to the Trustee (i) if the Liquidity Facility or Alternate Liquidity Facility is issued by a Liquidity Facility Provider other than a domestic commercial bank, an Opinion of Counsel addressed to the Authority, the District, the Trustee and the Remarketing Agent that no registration of the Alternate Liquidity Facility is required under the Securities Act of 1933, as amended (the “Securities Act”), and no qualification of the Trust Agreement is required under the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”), or that all applicable registration or qualification requirements have been fulfilled and (ii) an Opinion of Counsel addressed to the Authority, the District, the Trustee and the Remarketing Agent to the effect that such Liquidity Facility or Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof and that such Liquidity Facility or Alternate Liquidity Facility complies with the terms hereunder and under the Trust Agreement.

(c) In lieu of the Opinion of Counsel required by Section 5.4(b)(i) above, there may be delivered an Opinion of Counsel addressed to the Authority, the District, the Trustee and the Remarketing Agent to the effect that either (i) at all times during the term of the Liquidity Facility or Alternate Liquidity Facility, the Certificates will be offered, sold and held by Holders in transactions not constituting a public offering of the Certificates or the Liquidity Facility or Alternate Liquidity Facility under the Securities Act, and accordingly no registration of the Liquidity Facility or Alternate Liquidity Facility under the Securities Act nor qualification of the Trust Agreement under the Trust Indenture Act will be required in connection with the issuance and delivery of the Liquidity Facility or Alternate Liquidity Facility or the remarketing of the Certificates with the benefits thereof, or (ii) the offering and sale of the Certificates, to the extent evidencing the Liquidity Facility or Alternate Liquidity Facility, has been registered under the Securities Act and any indenture required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (i) of this Section 5.4(c) is given, the Certificates and any transfer records relating to the Certificates shall be noted indicating the restrictions on sale and transferability described in clause (i).

(d) If Liquidity Facility Certificates are Outstanding as of the date of delivery of an Alternate Liquidity Facility and held for the benefit of the Liquidity Facility Provider obligated under the Liquidity Facility then in effect, such Alternate Liquidity Facility shall provide for the purchase of such Liquidity Facility Certificates by the new Liquidity Facility Provider as a condition of the effectiveness of such Alternate Liquidity Facility.
Section 5.5. **Self-Liquidity Arrangements.** The District, at its sole option, may maintain a Self-Liquidity Arrangement in lieu of a Liquidity Facility. Not less than 30 days prior to the expiration or termination of any existing Liquidity Facility or Credit Facility, the District shall notify the Trustee and the Authority of its intention to provide a Self-Liquidity Arrangement, and the amendments, if any, to this Sale Agreement and the Trust Agreement reasonably necessary to accommodate such self-liquidity. The notice will be accompanied by a Favorable Opinion of Special Counsel, including to the effect that such changes will not require the Certificates to be registered under the Securities Act, or the Trust Agreement to be qualified under the Trust Indenture Act or, if such registration or qualification is required, that it has been accomplished. The notice will also be accompanied by written evidence from each Rating Agency then rating the Certificates of the rating to be assigned to the Certificates by such Rating Agency on and after the date such Self-Liquidity Arrangement becomes effective.

Section 5.6. **Credit Facility; Alternate Credit Facility.**

(a) The District may, at any time at its sole option (subject to the provisions of the Master Indenture), furnish a Credit Facility or an Alternate Credit Facility in substitution for a Credit Facility, or may, at any time at its sole option proceed without a Credit Facility with respect to the Certificates, in each case subject to the notice and mandatory tender provisions set out in the Trust Agreement.

(b) Any Credit Facility or Alternate Credit Facility delivered to the Trustee pursuant to this Section 5.6 shall be delivered and become effective not later than the Business Day prior to the date on which the former Credit Facility, if any, terminates, expires or is replaced and shall contain administrative provisions reasonably acceptable to the Remarketing Agent. On or prior to the date of the delivery of the Credit Facility or Alternate Credit Facility to the Trustee, the District shall furnish to the Trustee (i) if the Credit Facility or Alternate Credit Facility is issued by an Credit Facility Provider other than a domestic commercial bank, an Opinion of Counsel addressed to the Authority, the District, the Trustee and the Remarketing Agent that no registration of the Credit Facility or Alternate Credit Facility is required under the Securities Act, and no qualification of the Trust Agreement is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled and (ii) an Opinion of Counsel addressed to the Authority, the District, the Trustee, and the Remarketing Agent and to the effect that such Credit Facility or Alternate Credit Facility is a valid and enforceable obligation of the issuer thereof and such Credit Facility or Alternate Credit Facility complies with the terms hereunder and under the Trust Agreement.

(c) In lieu of the Opinion of Counsel required by Section 5.6(b)(i) above, there may be delivered an Opinion of Counsel addressed to the Authority, the District, the Trustee and the Remarketing Agent to the effect that either (i) at all times during the term of the Credit Facility or Alternate Credit Facility, the Certificates will be offered, sold and held by Holders in transactions not constituting a public offering of the Certificates or the Credit Facility or Alternate Credit Facility under the Securities Act, and accordingly no registration of the Credit Facility or Alternate Credit Facility under the Securities Act nor qualification of the Trust Agreement under the Trust Indenture Act will be required in connection with the issuance and delivery of the Credit Facility or Alternate Credit Facility or the remarketing of the Certificates with the benefits thereof, or (ii) the offering and sale of the Certificates, to the extent evidencing the Credit Facility or
Alternate Credit Facility, has been registered under the Securities Act and any indenture required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (i) of this Section 5.6(c) is given, the Certificates and any transfer records relating to the Certificates shall be noted indicating the restrictions on sale and transferability described in clause (i).

(d) If Credit Facility Certificates are Outstanding as of the date of delivery of an Alternate Credit Facility and held for the benefit of the Credit Facility Provider obligated under the Credit Facility then in effect, such Alternate Credit Facility shall provide for the purchase of such Credit Facility Certificates by the new Credit Facility Provider as a condition of the effectiveness of such Alternate Credit Facility

ARTICLE VI.
CONTINUING DISCLOSURE

Section 6.1. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Undertaking. Notwithstanding any other provision of this Sale Agreement, failure of the District to comply with the Continuing Disclosure Undertaking shall not constitute a Sale Agreement Default; however, upon being indemnified to its satisfaction, the Trustee shall, at the written request of any Participating Underwriter (as such term is defined in the Continuing Disclosure Undertaking) or the Holders of at least twenty-five percent (25%) aggregate principal amount in Outstanding Certificates, or any Holder or any Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section 6.1.

ARTICLE VII.
NON-LIABILITY OF AUTHORITY; LIMITED LIABILITY OF DISTRICT; EXPENSES; INDEMNIFICATION

Section 7.1. Non-Liability of Authority. The District shall be solely responsible for the payment of the Installment Payments and the Certificates. The Authority shall not be obligated to pay the Installment Payments or the principal (or Prepayment Price or Purchase Price) of or interest with respect to the Certificates, except from moneys and assets received by the Trustee on behalf of the Authority pursuant to this Sale Agreement and under Obligation No. 12. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or Prepayment Price or Purchase Price) or interest with respect to the Certificates. Neither the Authority nor its members, officers, directors, agents or employees or their successors and assigns shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under, by reason of or in connection with this Sale Agreement, the Master Indenture, Obligation No. 12, the Certificates or the Trust Agreement, except only to the extent amounts are received for the payment thereof from the District under this Sale Agreement or under Obligation No. 12.

The District hereby acknowledges that the Authority’s sole source of moneys to repay the Certificates will be provided by the payments made by the District to the Trustee pursuant
to this Sale Agreement, together with investment income on certain funds and accounts held by
the Trustee under the Trust Agreement, and under Obligation No. 12, and hereby agrees that if the
payments to be made hereunder and under Obligation No. 12 shall ever prove insufficient to pay
all principal (or Prepayment Price) of and interest with respect to the Certificates as the same shall
become due (whether by maturity, prepayment, acceleration, tender or otherwise), then upon
written notice from the Trustee, subject to Section 7.2, the District shall pay such amounts as are
required from time to time to prevent any deficiency or default in the payment of such principal
(or Prepayment Price) or interest, including, but not limited to, any deficiency caused by acts,
omissions, nonfeasance or malfeasance on the part of the Trustee, the District, the other Members
of the Obligated Group, the Master Trustee, the Authority or any third party, subject to any right
of reimbursement from the Trustee, the Authority or any such third party, as the case may be,
therefor but solely, in the case of the Authority, from moneys and assets received by the Trustee
on behalf of the Authority pursuant to this Sale Agreement and under Obligation No. 12, other
than with respect to any deficiency caused by the willful misconduct of the Authority.

Section 7.2. Limited Liability of District. The District shall not be obligated to
pay Installment Payments or the principal component or interest component with respect to the
Certificates, or any other payment or deposit required pursuant to this Sale Agreement, except
from Gross Revenues (as such term is defined in the Master Indenture). The District shall not be
directly or indirectly or contingently or morally obligated to use any other moneys or assets of the
District for all or any portion of the Installment Payments or for all or any portion of such other
costs or expenses. Neither the faith and credit nor the taxing power of the State or any political
subdivision thereof, or the District, is pledged to the payment of the principal component or interest
component with respect to the Certificates.

Section 7.3. Expenses. The District shall pay and indemnify the Authority and
the Trustee against all reasonable fees, costs, expenses and charges, including reasonable fees and
expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with
respect to the Trustee, without gross negligence or willful misconduct) and arising out of or in
connection with this Sale Agreement, the other Financing Documents, the Certificates or the Trust
Agreement. These obligations and those in Section 7.4 hereof shall remain valid and in effect
notwithstanding repayment of the Installment Payments hereunder or the Certificates or
termination of this Sale Agreement or discharge of the Trust Agreement.

Section 7.4. Indemnification.

(a) To the fullest extent permitted by law, the District agrees to indemnify, hold
harmless and defend the Authority, the Trustee, and each of its respective past, present and future
officers, members, directors, officials, employees, attorneys and agents (each, an “Indemnified
Party,” and, collectively, the “Indemnified Parties”), against any and all losses, damages, claims,
actions, liabilities, costs, taxes and expenses of any conceivable nature, kind or character
(including, without limitation, reasonable attorneys’ fees and expenses, litigation and court costs,
amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified
Parties, or any of them, may become subject under or any statutory law (including federal or state
securities laws) or at common law or otherwise, arising out of or based upon or in any way relating
to:
(i) the Certificates, the Trust Agreement, the Master Indenture, the Financing Documents or the Tax Certificate or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including, without limitation, the execution and delivery, sale or resale of the Certificates and the purchase, ownership and sale of the Real Property;

(ii) any act or omission of the District or any of its agents, contractors, servants, employees, tenants) or licensees in connection with the Project or the Facilities, the operation of the Project or the Facilities, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or the Facilities or any part thereof;

(iii) any lien or charge upon payments by the District to the Authority and the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Project or the Facilities;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from the Project or the Facilities or any part thereof;

(v) the defeasance and/or prepayment, in whole or in part, of the Installment Payments or the Certificates;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the Certificates or any of the documents relating to the Certificates (other than any such statements in any offering documents or disclosures provided by the Authority expressly for use in any such offering document, offering statement, offering circular or continuing disclosure document for the Certificates), or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Certificates of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest with respect to the Installment Payments or Certificates, or allegations that interest with respect to the Installment Payments or the Certificates is taxable or any regulatory audit or inquiry regarding whether interest with respect to the Certificates is taxable; or

(viii) the Trustee’s acceptance or administration of the trusts created by, the Trust Agreement, including the costs and expenses of enforcing the provisions of the Trust Agreement, the Purchase Agreement, this Sale Agreement, or any related document (including this Section) against the Authority, the District or any other person and defending itself against any claim (whether asserted by the Authority, the District, or any Holder or any other Person) or liability in connection with the exercise of its powers or
duties under the Trust Agreement or under this Sale Agreement, or any other agreements in connection with such agreements to which the Trustee is a party except (a) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party; or (b) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party.

(b) In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the District, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the District shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the District if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

Section 7.5. **Survive Termination.** The provisions of this Article VII shall survive payment in full of the Certificates, the termination and discharge of the Purchase Agreement, the termination and discharge of the Trust Agreement and the termination or the discharge of the obligations of the District hereunder in accordance with Article IX hereof.

**ARTICLE VIII.**

**SALE AGREEMENT DEFAULTS AND REMEDIES**

**Section 8.1. Sale Agreement Defaults.** The following events shall be “Sale Agreement Defaults”:

(a) Failure by the District to pay in full any Installment Payment or other payment required hereunder when due, whether at maturity, upon a date fixed for prepayment, by declaration, upon tender of the Certificates for purchase pursuant to the Trust Agreement, or otherwise pursuant to the terms hereof;

(b) If any representation or warranty made by the District herein or made by the District in any document, instrument or certificate furnished to the Trustee or the Authority in connection with the execution and delivery of the Certificates shall at any time prove to have been incorrect in any material respect as of the time made;

(c) If the District shall fail to observe or perform any covenant, condition, agreement or provision in this Sale Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section and other than as set forth in Section 6.1, or
shall breach any warranty herein contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Authorized Representative of the District by the Authority, the Trustee or the Credit Facility Provider, if any, unless the Authority, the Trustee and the Credit Facility Provider, if any, shall agree in writing to an extension of such time;

(d) If the District files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Facilities;

(e) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the District an insolvent, or adjudging the District bankrupt, or appointing a trustee or receiver of the District or of the whole or any substantial part of the Facilities, or approving a petition filed against the District seeking reorganization of the District under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(f) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of the Facilities and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control;

(g) If any Event of Default under the Trust Agreement or a Purchase Agreement Default shall occur; or

(h) If any Event of Default as defined in and under the Master Indenture shall occur.

Section 8.2. Remedies on Default. If a Sale Agreement Default shall occur, then, and in each and every such case during the continuance of such a Sale Agreement Default, the Authority or the Trustee, at the direction of or with the consent of the Credit Facility Provider (if any) (or during any Direct Purchase Period, the Direct Purchaser), may take any one or more of the following remedial steps:

(a) Upon notice in writing to the Authorized Representative of the District, the Authority or the Trustee shall declare all installments of Installment Payments and Supplemental Payments payable for the remainder of the term of this Sale Agreement to be immediately due and payable, whereupon the same shall be immediately due and payable, anything in this Sale Agreement to the contrary notwithstanding; “all installments” as used in this subsection shall mean an amount equal to the entire principal components of the Installment Payments represented by the Certificates then Outstanding and all interest components of the Installment Payments accrued or to accrue on and prior to the next succeeding prepayment date or dates on which the Certificates can be prepaid after giving notice to the Holders thereof as required by the Trust Agreement (less moneys available for such purpose then held by the Trustee) plus any other payments due or to become due hereunder, including, without limitation, any unpaid fees and expenses of the Trustee
which are then due or will become due prior to the time that the Certificates are paid in full and the trust established by the Trust Agreement is terminated; provided, however, that if acceleration of the Certificates has been rescinded and annulled pursuant to Section 7.2 of the Trust Agreement, acceleration of the Installment Payments and the Supplemental Payments shall be rescinded and annulled.

(b) The Authority and the Trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the Installment Payments, Supplemental Payments and any other payments then due and thereafter to become due under this Sale Agreement or to enforce the performance and observance of any obligation, covenant, agreement or provision contained in this Sale Agreement to be observed or performed by the District.

Any such action by the Authority or the Trustee, however, is subject to the condition that if, at any time after such action and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Trustee a sum sufficient to pay all Installment Payments the payment of which is overdue, with interest on such overdue principal component of such overdue Installment Payments at the rate borne by the respective Certificates, and the reasonable fees, charges and expenses of the Trustee, and any and all other defaults known to the Authority or the Trustee (other than in the payment of the Installment Payments due and payable solely by reason of such action) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall rescind and annul such action and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.3. Remedies Not Exclusive; No Waiver of Rights. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under this Sale Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Trustee to exercise any remedy, to the extent permitted by law, reserved to it in this Sale Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given to the Authority hereunder shall also extend to the Trustee, and the Trustee may exercise any rights and will be charged with the obligations of the Authority under this Sale Agreement, and the Trustee and the Holders of the Certificates executed and delivered under the Trust Agreement shall be deemed third party beneficiaries of all covenants and conditions herein contained.

No delay in exercising or omitting to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.4. Expenses on Default. In the event that the District should default under any of the provisions of this Sale Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due hereunder, the District
agrees that it will on demand therefor pay to the Authority, and immediately pay to the Trustee, the fees and expenses of such attorneys and such other expenses so incurred by the Authority or the Trustee.

Section 8.5. Notice of Default. The District agrees that, as soon as is practicable, and in any event within five (5) Business Days after such event, the Authorized Representative of the District will furnish the Trustee, the Master Trustee, the Direct Purchaser (if any), the Credit Facility Provider (if any) and the Authority notice of any event which is a Sale Agreement Default, or which with the giving of notice or the passage of time or both could constitute a Sale Agreement Default, which has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the District proposes to take with respect thereto.

Section 8.6. Survival of Obligations. The District covenants and agrees with the Authority that, except as provided in Article IX hereof, its obligations under this Sale Agreement shall survive the cancellation and termination of this Sale Agreement, for any cause, and the District shall continue to pay all Installment Payments due, and perform all other obligations provided for in this Sale Agreement, all at the time or times provided in this Sale Agreement.

ARTICLE IX.
DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Obligations. When:

(a) all Installment Payments shall become due and payable in accordance herewith or an Order of the Authorized Representative of the District to prepay all of the Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Certificate Payment Dates or other date (or dates) specified for prepayment, in trust for the benefit of the Holders of the Certificates and irrevocably appropriated and set aside to the payment of the Installment Payments, sufficient moneys or Defeasance Securities in accordance with Section 10.2 of the Trust Agreement, the principal of and the interest on which securities when due will provide moneys sufficient to pay all principal components and interest components of the Installment Payments to the Certificate Payment Date or prepayment date or dates so specified, as the case may be; and

(c) provisions shall have been made for paying all fees and expenses of the Trustee so long as any of the Certificates shall remain unpaid,

then and in that event the right, title and interest of the Authority herein and the obligations of the District hereunder shall thereupon cease, terminate, become void and become completely discharged and satisfied (except only that the right of the Authority to receive and the obligation of the District to pay the Installment Payments shall continue, but only out of such money or securities deposited with the Trustee for such payment, provided further, however, that the provisions of Section 10.3 of the Trust Agreement shall apply in all events). In such event, upon Request of the Authorized Representative of the District, the Trustee shall cause an accounting for
such period or periods as may be requested by the Authorized Representative of the District to be
prepared and filed with the Authorized Representative of the District and shall execute and deliver
to the Authorized Representative of the District all such instruments as may be necessary or
desirable to evidence such discharge and satisfaction, and the Trustee shall pay over to the District,
as an overpayment of Installment Payments, all such moneys or such Defeasance Securities held
by it pursuant hereto (other than such moneys and such Defeasance Securities as are required for
the payment or prepayment of the Installment Payments, which moneys and Defeasance Securities
shall continue to be held by the Trustee in trust and shall be applied by the Trustee to such payment
or prepayment of the Installment Payments of the District). The District shall pay and indemnify
the Trustee against any tax, fee or other charge imposed on or assessed against the Defeasance
Securities deposited pursuant to this Section or the principal and interest received in respect thereof
other than any such tax, fee or other charge which by law is for the account of the Holders of
Outstanding Certificates.

ARTICLE X.
MISCELLANEOUS

Section 10.1. Notices. All notices or communications herein required or
permitted to be given shall be in writing and shall be mailed, sent by facsimile or by Electronic
Means, or delivered as follows:

(a) If to the Authority:

California Municipal Finance Authority
2111 Palomar Airport Rd., Suite 320
Carlsbad, California 92011
Attention: John P. Stoecker
Telephone: (760) 930-1221

(b) If to the District:

Palomar Health
456 E. Grand Avenue
Escondido, California 92025
Attention: Chief Financial Officer
Telephone: (760) 740-6385

(c) If to the Trustee:

U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services
Telephone: (213) 615-6002

The Authority, the District and the Trustee may, by notice given hereunder,
designate any further or different address to which subsequent notices and other communications
shall be sent.
Any notice to be given to any Person pursuant to the provisions of this Sale Agreement may be delivered by Electronic Means.

Section 10.2. Binding Effect. This Sale Agreement shall inure to the benefit of and shall be binding upon the Authority, the District and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.3. Severability of Invalid Provisions. If any one or more of the provisions contained in this Sale Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Sale Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Sale Agreement, and this Sale Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the District each hereby declares that it would have entered into this Sale Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Sale Agreement may be held illegal, invalid or unenforceable.

Section 10.4. Complete Agreement; Amendments. This Sale Agreement (together with the Purchase Agreement and the Trust Agreement) represents the entire contract between the parties with respect to the subject matter hereof. This Sale Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the Authority and the District, with the concurring written consent of the Trustee, given in accordance with the provisions of the Trust Agreement.

Section 10.5. Governing Law and Venue. This Sale Agreement is a contract made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Sale Agreement shall be enforceable in the State of California, and any action arising out of this Sale Agreement shall be filed and maintained in San Diego County, California, unless the Authority waives this requirement.

Section 10.6. Further Assurances. The District shall execute and deliver any and all such further agreements, instruments, or other assurances as may be reasonably necessary or requested by the Authority to carry out the intention of, or to facilitate the performance of, the Financing Documents or the Certificates.

Section 10.7. Waiver of Personal Liability. No director, member, officer, agent or employee of the Authority or any director, officer, agent or employee of the District shall be individually or personally liable for the payment of Installment Payments or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Sale Agreement, but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Sale Agreement.

Section 10.8. Disclaimer of Warranties. The Authority makes no warranty or
representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Real Property or the Facilities, or the use contemplated by the District of the Project or any portion thereof, or any other representation or warranty with respect to the Real Property or the Facilities or the Project or any portion thereof. In no event shall the Authority be liable for incidental, indirect, special or consequential damages, in connection with this Sale Agreement or the existence, furnishing or functioning of the Real Property or the Facilities or the Project, or use of the Real Property or the Facilities or the Project by the District, or use of the Real Property or the Facilities or the Project by any other person, except such damages as may arise by reason of the Authority’s breach of this Sale Agreement.

Section 10.9. No Merger. The parties acknowledge that the District constitutes the purchaser of the Real Property under this Sale Agreement and the seller of the Real Property under the Purchase Agreement. The Purchase Agreement and this Sale Agreement represent, and in all respects of any nature whatsoever shall always represent, be interpreted and constitute, separate and distinct obligations. Under no circumstances whatsoever shall a merger of the roles or the obligations of the District as purchaser under this Sale Agreement and seller under the Purchase Agreement occur or be deemed to occur.

Section 10.10. Execution of Counterparts. This Sale Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.
IN WITNESS WHEREOF, the CALIFORNIA MUNICIPAL FINANCE AUTHORITY has caused this Installment Sale Agreement to be signed in its name by a duly authorized signatory and PALOMAR HEALTH has caused this Installment Sale Agreement to be signed by its duly authorized officer, all as of the date first above written.

CALIFORNIA MUNICIPAL
FINANCE AUTHORITY

By ________________________________
Authorized Signatory

PALOMAR HEALTH

By ________________________________
President and Chief Executive Officer
EXHIBIT A

LEGAL DESCRIPTION OF REAL PROPERTY

[To come]
EXHIBIT B

INSTALLMENT PAYMENT SCHEDULE

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| TOTALS:       | $[ ]               | $[ ]               | $[ ]                     |

¹ Pursuant to Section 4.1 hereof, the interest component of the Installment Payments shall be paid on the fifth Business Day prior to each Interest Payment Date, and the principal component of the Installment Payments shall be paid on the fifth Business Day prior to the November 1 it is due.
CALIFORNIA MUNICIPAL FINANCE AUTHORITY

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

TRUST AGREEMENT
Dated as of November 1, 2022

$[PAR]
Principal Amount of
Certificates of Participation
Evidencing Proportionate Undivided Interests
In Installment Payments to be made by
Palomar Health

4124-9311-3917.5
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THIS TRUST AGREEMENT, dated as of November 1, 2022 (as further defined in Section 1.1 hereof, this “Trust Agreement”), between the CALIFORNIA MUNICIPAL FINANCE AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (as further defined in Section 1.1 hereof, the “Authority”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America, being qualified to accept and administer the trusts hereby created (as further defined in Section 1.1 hereof, the “Trustee”);

WITNESSETH:

WHEREAS, the Authority is a joint exercise of powers authority organized and operating under the provisions of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (commencing with Section 6500);

WHEREAS, Palomar Health is a local health care district duly organized and existing under the laws of the State of California (as further defined in Section 1.1 hereof, the “District”);

WHEREAS, the District proposes to undertake the financing (including the reimbursement for its prior payment) of certain costs incurred or to be incurred in connection with the acquisition, construction, expansion, renovation, improvement and equipping of certain health care facilities, owned and operated (or to be owned and operated) by the District (as further defined in Section 1.1 hereof, the “New Project”);

WHEREAS, the District proposes to refund and prepay certain certificates of participation executed and delivered in 2006 (the “2006 Certificates”), evidencing an undivided proportionate interest of the holders thereof in certain installment payments to be made by the District, the proceeds of which were used by the District to finance and refinance certain costs of acquisition, construction, expansion, improvement, renovation, and equipping of its health care facilities and, in connection with such refunding and prepayment, pay termination costs of the swap agreements associated with such 2006 Certificates (as further defined in Section 1.1 hereof, the “Prior Project” and, together with the New Project, the “Project”);

WHEREAS, the health care facilities which comprise the Project are located within the territory which comprises the District’s local health care district;

WHEREAS, the District is a member of the Authority and in order to facilitate the financing and refinancing of the cost of the Project (the “Financing”), the District has filed an application requesting the assistance of the Authority;

WHEREAS, in order to facilitate the Financing, the District has sold certain real property (as further defined in Section 1.1 hereof, the “Real Property”) to the Authority and the Authority has purchased the Real Property from the District upon the terms and conditions set forth in a Purchase Agreement, dated as of November 1, 2022 (as further defined in Section 1.1 hereof, the “Purchase Agreement”), between the Authority and the District;

WHEREAS, in order to facilitate the Financing, the Authority is entering into an Installment Sale Agreement, dated as of November 1, 2022 (as further defined in Section 1.1
hereof, the “Sale Agreement”), with the District pursuant to which the Authority will sell the Real Property back to the District upon the terms and conditions set forth herein;

WHEREAS, in order to secure and evidence its obligations under the Sale Agreement, the District has issued Palomar Health Master Indenture Obligation No. 12 (as further defined in Section 1.1 hereof, “Obligation No. 12”), pursuant to the Master Trust Indenture, dated as of December 1, 2006 (as further defined in Section 1.1 hereof, the “Master Indenture”), between the District and U.S. Bank Trust Company, National Association, as successor master trustee to U.S. Bank National Association (as further defined in Section 1.1 hereof, the “Master Trustee”), as supplemented by Supplemental Master Indenture for Master Indenture Obligation No. 12, dated as of November 1, 2022 (as further defined in Section 1.1 hereof, “Supplement No. 12”), between the District and the Master Trustee;

WHEREAS, for the purpose of securing their obligations hereunder, the District and the Authority have agreed to assign and transfer certain of their rights under the Purchase Agreement and the Sale Agreement, respectively, to the Trustee;

WHEREAS, in consideration of the execution of this Trust Agreement, the Trustee has agreed to execute and deliver Certificates of Participation (the “Certificates”), each evidencing a proportionate interest in the Installment Payments to be made by the District pursuant to the Sale Agreement in an aggregate amount equal to the aggregate principal amount of Certificates so executed and delivered;

WHEREAS, after due investigation and deliberation, the Authority has approved the application of the District and has authorized the Financing, including the execution and delivery of this Trust Agreement, the Purchase Agreement, the Sale Agreement, and the execution and delivery of the Certificates; and

WHEREAS, all acts and proceedings required by law to exist, happen and be performed precedent to and in connection with the execution and entering into of this Trust Agreement have existed, have happened and have been performed in regular and due time, form and manner as required by law, and the parties are now duly empowered to execute and enter into this Trust Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I
DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS; INTERPRETATION

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement and of any trust agreement supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.
“2006 Certificates” means those certain certificates of participation executed and delivered in 2006, evidencing an undivided proportionate interest of the holders thereof in certain installment payments to be made by the District.

“Act” means the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 65) of the Government Code of the State.

“Additional Funding Amount” has the meaning ascribed thereto in Section 4.10(D)(ii) hereof.

“Administrative Fees and Expenses” means any application, commitment, financing or similar fee charged or reimbursement for administrative or other expenses incurred by the Authority or the Trustee, including Supplemental Payments.

“Alternate Credit Facility” means a Credit Facility issued to replace an existing Credit Facility in accordance with Section 4.20 hereof and any amendment or assignment of a Credit Facility which results in a change in the Credit Facility Provider; provided, however, that any amendment, extension, renewal or substitution of the Credit Facility then in effect for the purpose of extending the Expiration Date of such Credit Facility or modifying such Credit Facility pursuant to its terms shall not be deemed to be an Alternate Credit Facility for purposes of this Trust Agreement.

“Alternate Liquidity Facility” means a Liquidity Facility issued to replace an existing Liquidity Facility in accordance with Section 4.19 hereof and any amendment or assignment of a Liquidity Facility which results in a change in the Liquidity Facility Provider; provided, however, that any amendment, extension, renewal or substitution of the Liquidity Facility then in effect for the purpose of extending the Expiration Date of such Liquidity Facility or modifying such Liquidity Facility pursuant to its terms shall not constitute an Alternate Liquidity Facility for purposes of this Trust Agreement.

“Applicable Factor” means during any Direct Purchase Period, a percentage designated by the Market Agent or the Direct Purchaser (which shall be a percentage between 65.1% and 135%), or, with a Favorable Opinion of Special Counsel, such other percentage as may be designated as the Applicable Factor for such Direct Purchase Period pursuant to Section 2.13 hereof.

“Applicable Spread” means, with respect to each Direct Purchase Period, the number of basis points determined on or before the first day of such Direct Purchase Period and designated in writing by the District, the Market Agent or the Direct Purchaser pursuant to Section 2.13 hereof (which may include a schedule for the Applicable Spread based upon the ratings assigned to the unenhanced, long-term debt of the Obligated Group) that, when added to the product of (x) the Direct Purchase Index multiplied by (y) the Applicable Factor, would equal the minimum interest rate per annum that would enable the Direct Purchase Certificates to be sold on such date at a price equal to the principal amount thereof (without regard to accrued interest, if any, thereon).

“Authority” means the California Municipal Finance Authority, or its successors and assigns, a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of January 1, 2004 by and among certain California cities, counties and special districts,
as amended from time to time (the “Joint Powers Agreement”), pursuant to the provisions of the Act.

“Authority Issuance Fee” means $[ ].

“Authority Representative” means with respect to the Authority, any member of the Board of Directors of the Authority, the Executive Director of the Authority or any other person designated as an Authority Representative by a certificate signed by a member of the Board of Directors and filed with the Trustee.

“Authorized Denominations” means with respect to any (a) Long-Term Period, FRN Period or Fixed Period, $5,000 and any integral multiple thereof; (b) Direct Purchase Period, $250,000 and any integral multiple of $5,000 in excess of $250,000, or, in other denominations as may be directed by such Direct Purchaser; and (c) Short-Term Period, Two Day Period, VRO Interest Rate Period, Window Period, Weekly Period, Daily Period or Flexible Rate Period, $100,000 and any integral multiple of $5,000 in excess of $100,000; provided however that in each case different Authorized Denominations may be selected by the District on or prior to any Conversion Date for the Certificates subject to Conversion upon written notice to the Trustee.

“Authorized Representative” means (i) with respect to the Authority, an Authority Representative and (ii) with respect to the District, the chair or vice chair of the Board of Directors of the District, the president and chief executive officer, any interim president and chief executive officer, the chief financial officer, any interim chief financial officer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by any of the above-identified Authorized Representatives and filed with the Trustee.

“Bank Certificates” means any Credit Facility Certificates or Liquidity Facility Certificates.

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Certificates (including any Person holding Certificates through nominees, depositaries or other intermediaries).

“Board of Directors” means the Board of Directors of the Authority.

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in (a) the State of California or the State of New York, (b) the state in which the Corporate Trust Office is located or (c) the state in which the principal office of the Master Trustee is located, in each case under the preceding clauses (a)-(c) are authorized to remain closed, or a day on which the New York Stock Exchange is closed; provided that (i) as to matters relating to draws on any Credit Facility or Liquidity Facility, “Business Day” shall also exclude any day on which banking institutions located in the city in which draws on any such Credit Facility or Liquidity Facility are to be presented, and (ii) as to matters relating to the Certificates in the Direct Purchase Mode, the FRN Mode or the Window Mode, Business Day shall also exclude any day on which banking institutions located in the city where the Calculation Agent is located are authorized to remain closed.
“Calculation Agent” means (a) during any Direct Purchase Period, the Direct Purchaser or any affiliate thereof during any Direct Purchase Period, or any Person, financial institution or financial advisory firm appointed by the District, with the consent of the Direct Purchaser to serve as Calculation Agent for the Direct Purchase Certificates, and (b) during any FRN Mode or any Window Mode, any Person, financial institution or financial advisory firm appointed by the District prior to a Conversion to any such FRN Mode or Window Mode to serve as Calculation Agent for the FRN Certificates or Window Certificates, as applicable.

“Certificate,” “Order,” “Statement,” “Request” and “Requisition” of the Authority or the District mean, respectively, a written certificate, order, statement, request or requisition signed in the name of the Authority by an Authority Representative or in the name of the District by an Authorized Representative of the District. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.2 hereof, each such instrument shall include the statements provided for in Section 1.2 hereof.

“Certificates” means the certificates of participation evidencing a proportionate interest of the Holders thereof in Installment Payments to be made by the District pursuant to the Sale Agreement.

“Certificateholder” or “Holder”, whenever used herein with respect to a Certificate, means the Person in whose name such Certificate is registered; provided, however, that any time the Certificates are held in a book-entry system, “Certificateholder” or “Holder” shall mean Beneficial Owner of the Certificates.

“Certificateholder Agreement” means during any Direct Purchase Period, any continuing covenant agreement, certificateholder agreement or similar agreement between the District and a Direct Purchaser that is designated in writing by the District and delivered to the Trustee and the Authority as the Certificateholder Agreement.

“Certificate Delivery Date” means November [__], 2022.

“Certificate Payment Date” means, with respect to a Certificate, the date on which principal evidenced and represented by such Certificate becomes due and payable; during any Interest Rate Period other than a Fixed Period, November 1, 20[__], all as more fully described in Section 2.15(F)(vii); with respect to the Certificates in the Initial Fixed Period, the Certificate Payment Dates set forth in Section 2.3(A) hereof; or, with respect to a Certificate upon change to a new Fixed Period (including any Conversion from a Fixed Period to a new Fixed Period), such Certificate Payment Dates as are determined pursuant to Section 2.15(F)(vi) hereof.

“Certificate Purchase Contract” means that certain Certificate Purchase Contract, dated the date of the sale of the Certificates, among the Authority, the District and Citigroup Global Markets Inc., as underwriter for the Certificates.

“Certificate Purchase Fund” means the fund by that name established pursuant to Section 4.10(A)(i) hereof.
“Certificate Year” means, for purposes of the Sale Agreement and this Trust Agreement, the period of twelve consecutive months ending on November 1 in any year in which Certificates are Outstanding, except for the initial Certificate Year which shall commence on the Certificate Delivery Date and end on November 1, 2023.

“Continuing Disclosure Agreement” means any continuing disclosure agreement or certificate executed by the District with respect to the Certificates and which complies with Rule 15c2-12.

“Conversion” means a conversion of all or a portion of the Certificates from one Interest Rate Mode to one or more other Interest Rate Modes in accordance with the terms and provisions of Section 2.15 hereof and shall also include (a) a conversion from any Direct Purchase Period to the next Direct Purchase Period; (b) a conversion from one FRN Period to a new FRN Period; (c) a conversion from one Fixed Period to a new Fixed Period; (d) a conversion from any Short-Term Interest Rate Period to a new Short-Term Interest Rate Period; and (e) a conversion from any Long-Term Interest Rate Period to a new Long-Term Interest Rate Period.

“Conversion Date” means the effective date of a Conversion of the Certificates or a portion of the Certificates.

“Corporate Trust Office” means the designated corporate trust office of the Trustee at which at any time its corporate trust business shall be administered, which as of the date hereof is located at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust, or such other address as the Trustee may designate from time to time by notice to the Holders and the Authority, or the designated corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Authority).

“Costs of Delivery” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the District and related to the authorization, execution, sale and delivery of the Certificates, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, documentary transfer tax, initial fees and charges of the Trustee and the Master Trustee, initial fees and charges of the Authority, legal fees, expenses and charges, fees, expenses and disbursements of consultants and professionals, Rating Agency fees, initial Administrative Fees and Expenses, fees and charges for preparation, execution, transportation and safekeeping of Certificates, and any other cost, charge or fee in connection with the original delivery of Certificates.

“Costs of Delivery Fund” means the Costs of Delivery Fund established pursuant to Section 3.3.

“Credit Facility” means a letter of credit, loan, guarantee, bond insurance policy, or similar credit facility issued by a Credit Facility Provider which, by its terms, shall secure the payment of the Installment Payments, and delivered to the Trustee in accordance with Section 5.6 of the Sale Agreement or, in the event of the delivery of an Alternate Credit Facility, such Alternate Credit Facility. [Initially, there shall be no Credit Facility in effect with respect to the Certificates.][tbc]
“Credit Facility Account” means the account by that name in the Certificate Purchase Fund established pursuant to Section 4.10(A)(ii) hereof.

“Credit Facility Agreement” means any reimbursement or similar agreement pursuant to which a Credit Facility Provider issues or provides a Credit Facility.

“Credit Facility Certificates” means Certificates purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Credit Facility, but excluding Certificates no longer considered to be Credit Facility Certificates in accordance with the terms of the applicable Credit Facility.

“Credit Facility Provider” means the commercial bank, bond insurer, or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Facility then in effect.

“Credit Facility Rate” means the rate per annum, if any, specified in a Credit Facility as applicable to Credit Facility Certificates, which shall not exceed the Maximum Interest Rate for Credit Facility Certificates.

“Daily Certificates” means Certificates that represent interest accruing at Daily Rates.

“Daily Interest Rate Period” means each day during the Daily Period for which a particular Daily Rate is in effect.

“Daily Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at Daily Rates.

“Daily Period” means the entire period during which Certificates constitute Daily Certificates, which Daily Period shall generally be comprised of multiple Daily Interest Rate Periods, during which Daily Rates are in effect.

“Daily Rate” means the interest rate per annum on Daily Certificates determined on a daily basis as provided in Section 2.4 hereof.

“Daily SOFR” means, with respect to any Effective Date:

(1) The Secured Overnight Financing Rate on the Federal Reserve’s Website as of 4:00 p.m., New York City time, on the Daily SOFR Determination Date for each related Daily SOFR Reference Date. The Daily SOFR Reference Date is the U.S. Government Securities Business Day immediately preceding the related Daily SOFR Determination Date (for example, the Secured Overnight Financing Rate for the Effective Date of December 1, 2022, will be the rate on the Federal Reserve’s Website on the Daily SOFR Determination Date, November 30, 2022, as of 4:00 p.m., for the Daily SOFR Reference Date of November 29, 2022). The Secured Overnight Financing Rate is published every U.S. Government Securities Business Day at 8:00 a.m. and may be revised until 2:30 p.m., New York City time.

(2) If the Secured Overnight Financing Rate cannot be determined with respect to such Effective Date as specified in paragraph (1), unless both a SOFR Index Cessation Event and a
SOFR Index Cessation Date have occurred, then the Calculation Agent shall use the Secured Overnight Financing Rate in respect of the last U.S. Government Securities Business Day for which such Secured Overnight Financing Rate was published on the Federal Reserve’s Website.

(3) If a SOFR Index Cessation Event and SOFR Index Cessation Date have occurred, the Calculation Agent shall determine the FRN Rate as if references to Daily SOFR were references to the rate that was recommended as the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator, which rate may include any adjustments or spreads, and which rate will be reasonably expected to measure contemporaneous variations in the cost of newly borrowed funds in U.S. dollars). If no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event, then the Calculation Agent shall use the OBFR published on the Federal Reserve’s Website for any Effective Date after the SOFR Index Cessation Date (it being understood that the OBFR for any such Effective Date will be the Overnight Bank Funding Rate on the Federal Reserve’s Website as of 4:00 p.m., New York City time, on the Daily SOFR Determination Date for each related Daily SOFR Reference Date).

(4) If the Calculation Agent is required to use the OBFR in paragraph (3) above and an OBFR Index Cessation Event has occurred, then for any Effective Date after the OBFR Index Cessation Date, the Calculation Agent shall use the short-term interest rate target set by the Federal Open Market Committee and published on the Federal Reserve’s Website, or if the Federal Open Market Committee has not set a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve’s Website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range).

If Daily SOFR determined as above would be less than zero, then such rate shall be deemed to be zero.

“Daily SOFR Determination Date” means, with respect to any Effective Date, the U.S. Government Securities Business Day immediately preceding such Effective Date.

“Daily SOFR Reference Date” means, with respect to any Effective Date, the U.S. Government Securities Business Day immediately preceding the related Daily SOFR Determination Date.

“Defeasance Securities” means: (a) cash; (b) Treasury Obligations; (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any Person claiming through the custodian or to whom the custodian may be obligated: (d) pre-refunded municipal obligations rated “Aaa” by Moody’s or “AAA” by S&P, respectively; or (e) securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof.
“Default Rate” means, with respect to Direct Purchase Certificates, during any Direct Purchase Period, the Default Rate, if any, as defined in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof.

“Determination of Taxability” means, with respect to Direct Purchase Certificates, during any Direct Purchase Period, a Determination of Taxability, if any, as defined in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof.

“Differential Interest Amount” means, upon remarketing of a Liquidity Facility Certificate or a Credit Facility Certificate by the Remarketing Agent pursuant to Section 4.13(B) hereof, the excess of (a) interest which has accrued at the Liquidity Facility Rate or the Credit Facility Rate, as applicable, up to but excluding the remarketing date of the Certificate, over (b) the interest accrued on such Certificate which is received by the Liquidity Facility Provider or the Credit Facility Provider, as applicable, from the Remarketing Agent as part of the Purchase Price.

“Direct Purchase Certificates” means Certificates that represent interest accruing at a Direct Purchase Rate, and any Unremarketed Certificates, if any.

“Direct Purchase Index” means during any Direct Purchase Period, Daily SOFR, Term SOFR, the SIFMA Index or, with a Favorable Opinion of Special Counsel, such other index as may be designated by the Market Agent as the Direct Purchase Index for such Direct Purchase Period pursuant to Section 2.13 hereof.

“Direct Purchase Interest Rate Period” means each period during the Direct Purchase Period for which a particular Direct Purchase Rate is in effect.

“Direct Purchase Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at the Direct Purchase Rate and during which any Unremarketed Certificates, if any, remain Outstanding.

“Direct Purchase Period” means the entire period during which Certificates constitute Direct Purchase Certificates, which Direct Purchase Period shall generally be comprised of multiple Direct Purchase Interest Rate Periods, during which Direct Purchase Rates are in effect. A Direct Purchase Period shall also include any period during which any Unremarketed Certificates remain Outstanding.

“Direct Purchase Period Earliest Prepayment Date” means during any Direct Purchase Period, the date or dates on which Direct Purchase Certificates are subject to optional prepayment during the applicable Direct Purchase Period, as established by the District, the Market Agent or the Direct Purchaser or as set forth in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof.

“Direct Purchase Rate” means the interest rate per annum on Direct Purchase Certificates determined on a periodic basis as provided in Section 2.13 hereof.
“Direct Purchase Rate Determination Date” means during any Direct Purchase Period, such date established as such by the District, the Market Agent or the Direct Purchaser as set forth in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof.

“Direct Purchase Rate Mandatory Purchase Date” means the first day following the last day of each Direct Purchase Interest Rate Period, or any other date established as such in a Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof.

“Direct Purchaser” means, during any Direct Purchase Period, the Holder of the Direct Purchase Certificates, if there is a single Holder of all of the Direct Purchase Certificates and provided, however, that the Direct Purchase Certificates are not then held under the book-entry system. If there is more than one Holder of the Direct Purchase Certificates, “Direct Purchaser” means the Holders owning a majority in aggregate principal amount of the Direct Purchase Certificates then Outstanding. If the Direct Purchase Certificates are then held under the book-entry system, “Direct Purchaser” means the Beneficial Owner of the Direct Purchase Certificates, if there is a single Beneficial Owner of all of the Direct Purchase Certificates. If there is more than one Beneficial Owner of the Direct Purchase Certificates, “Direct Purchaser” means the Beneficial Owners who are the Beneficial Owners of a majority in aggregate principal amount of the Direct Purchase Certificates then Outstanding.

“District Elective Purchase Date” means the date designated by the District for the purchase of Daily Certificates, Two Day Certificates, Weekly Certificates or Window Certificates pursuant to Section 4.7(G) hereof.

“District Purchase Account” means the account by that name in the Certificate Purchase Fund established pursuant to Section 4.10(A)(ii) hereof.

“DTC” means The Depository Trust Company, New York, New York, its successors and their assigns or, if DTC or its successor or assigns resigns from its functions as Securities Depository for the Certificates, any other Depository which agrees to follow the procedures required to be followed by a Depository in connection with the Certificates and which is selected by the Authority, at the direction of the District.

“Effective Date” means each U.S. Government Securities Business Day.

“Electronic Means” means telecopy, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

“Electronic Notice” means a notice transmitted through Electronic Means.

“Eligible Certificates” means any Certificates other than Liquidity Facility Certificates, Credit Facility Certificates or Certificates owned by, for the account of, or on behalf of, the Authority or the District or any other Obligated Group Member.

“Eligible Moneys” means:
(a) Certificate proceeds deposited with the Trustee contemporaneously with the issuance and sale of the Certificates and which are continuously thereafter held subject to the lien of this Trust Agreement in a separate and segregated fund, account or subaccount established hereunder in which no moneys which are not Eligible Moneys are at any time held;

(b) moneys (i) paid or deposited by the District or any other Obligated Group Member to or with the Trustee, (ii) held in any fund, account or subaccount established hereunder in which no other moneys which are not Eligible Moneys are held and (iii) which have so been on deposit with the Trustee for at least 124 consecutive days from their receipt by the Trustee if the District is the sole Obligated Group Member or at least 367 consecutive days from their receipt by the Trustee if there is more than one Obligated Group Member, or if such funds are provided by an “Insider” (within the meaning of Title 11 of the United States Bankruptcy Code), with respect to the District, during and prior to which period no petition by or against the Authority, the District or any other Obligated Group Member or any such Insider under any bankruptcy or similar law now or hereafter in effect shall have been filed and no bankruptcy or similar proceeding otherwise initiated (unless such petition or proceeding shall have been dismissed and such dismissal be final and not subject to appeal), together with investment earnings on such moneys;

(c) moneys received by the Trustee from any payment under a Credit Facility or a Liquidity Facility which are held in any fund, account or subaccount established hereunder in which no other moneys which are not Eligible Moneys are held, together with investment earnings on such moneys;

(d) proceeds from the remarketing of any Certificates pursuant to the provisions of this Trust Agreement to any person other than the Authority, the District, any other Obligated Group Member or any Insider;

(e) proceeds from the issuance and sale of refunding bonds, together with the investment earnings on such proceeds, if there is delivered to the Trustee and Moody’s (if Moody’s is then a Rating Agency for the Certificates) at the time of issuance and sale of such refunding bonds an opinion of nationally recognized bankruptcy counsel experienced in bankruptcy matters (which opinion may assume that no holder of a Certificate is an Insider) to the effect that the use of such proceeds and investment earnings to pay the principal component of the Installment Payments or Prepayment Price of or interest represented by the Certificates would not be avoidable as preferential payments under Section 547 of the Bankruptcy Code recoverable under Section 550 of the Bankruptcy Code should the Authority, the District or any other Obligated Group Member become a debtor in a proceeding commenced thereunder; and

(f) moneys which are derived from any source, including without limitation moneys from the District or any other Obligated Group Member, together with the investment earnings on such moneys, if the Trustee and Moody’s (if Moody’s is then a Rating Agency for the Certificates) has received an unqualified opinion of nationally recognized bankruptcy counsel experienced in bankruptcy matters (which opinion may assume that no holder of a Certificate is an Insider) to the effect that payment of such amounts to a holder of a Certificate would not be avoidable as preferential payments under Section 547 of the Bankruptcy Code recoverable under Section 550 of the Bankruptcy Code should the Authority, the District or any other Obligated Group Member become a debtor in a proceeding commenced thereunder;
provided that such proceeds, moneys or income shall not be deemed to be Eligible Moneys or available for payment of the Certificates if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment. For the purposes of this definition, the term “moneys” shall include cash and any Qualified Investments including, without limitation, United States Government Obligations.

“EMMA” means the Electronic Municipal Market Access internet website maintained by the Municipal Securities Rulemaking Board, or any successor designated by the Municipal Securities Rulemaking Board.

“Environmental Regulations” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

“Escrow Agent” means U.S. Bank Trust Company, National Association, as trustee for the 2006 Certificates, as escrow agent under the Escrow Agreement.

“Escrow Agreement” means that certain Escrow Agreement, dated as of November 1, 2022, between the District and the Escrow Agent, relating to the 2006 Certificates.

“Event of Default” means any of the events specified in Section 7.1.

“Expiration Date” means (i) the date upon which a Liquidity Facility or Credit Facility is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Liquidity Facility or Credit Facility, from time to time) in accordance with its terms, including without limitation termination upon delivery of a Liquidity Facility, an Alternate Liquidity Facility, a Credit Facility or an Alternate Credit Facility to the Trustee and (ii) the date upon which a Liquidity Facility or Credit Facility terminates following voluntary termination by the District pursuant to the Sale Agreement and the terms of the related Liquidity Facility or Credit Facility.

“Facilities” means (i) the Real Property described in Exhibit A to the Purchase Agreement and Exhibit A to the Sale Agreement; (ii) all buildings, structures, fixtures and improvements located or to be located on the aforesaid Real Property; and (iii) all personal property owned by the District and used in, around or about the aforesaid Real Property, whether now existing or hereafter constructed, installed or acquired.

“Favorable Opinion of Special Counsel” means, with respect to any action relating to the Certificates, the occurrence of which requires such an opinion, a written legal opinion of Special Counsel addressed to the Authority, the Trustee, the District, the Remarketing Agent, if any, and the Direct Purchaser, if any, to the effect that such action is permitted under this Trust Agreement and will not, in and of itself, cause the portion of each Installment Payment designated as and constituting interest to be included in gross income for purposes of federal income taxation.

“Financing Documents” means the Purchase Agreement, the Sale Agreement, the Master Indenture, Supplement No. 12, Obligation No. 12, the Certificate Purchase Contract, the Continuing Disclosure Agreement, and the Tax Certificate.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, shall be deemed to refer to any other nationally recognized securities rating agency designated by the District by notice in writing to the Authority and the Trustee.

“Fixed Certificates” means Certificates that represent interest accruing at Fixed Rates.

“Fixed Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at a Fixed Rate or Fixed Rates to their Certificate Payment Date.

“Fixed Period” means the period to the Certificate Payment Date, or to the date on which Fixed Certificates are converted to a new Interest Rate Mode, during which Certificates constitute Fixed Certificates.

“Fixed Rate” means the interest rates per annum on Fixed Certificates set forth in Sections 2.3(A) and 2.14 hereof to their Certificate Payment Date or until the Fixed Rate Conversion Date, if any, and after any Fixed Rate Conversion Date, the fixed interest rate or rates per annum determined prior to such Fixed Rate Conversion Date as provided in Section 2.14 hereof.

“Fixed Rate Conversion Date” means the effective date of a Conversion of the Certificates or a portion of the Certificates into a Fixed Period or from one Fixed Period to a new Fixed Period or another Interest Rate Mode pursuant to the provisions of Section 2.15 hereof.

“Flexible Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at the Flexible Rate.

“Flexible Rate” means the per annum interest rate on a Certificate in the Flexible Mode determined for such Certificate pursuant to Section 2.9 hereof. The Certificates in the Flexible Mode may represent interest accruing at different Flexible Rates.

“Flexible Rate Certificate” means a Certificate in the Flexible Mode.

“Flexible Rate Determination Date” means the first day of each Flexible Rate Period.

“Flexible Rate Period” means the period of from one to 270 calendar days (which period must end on a day preceding a Business Day) during which a Flexible Rate Certificate shall represent interest accruing at a Flexible Rate, as established pursuant to Section 2.9 hereof. The Certificates in the Flexible Mode may be in different Flexible Rate Periods.

“FRN Certificates” means Certificates that represent interest accruing at FRN Rates.
“FRN Index” means the SIFMA Index, Daily SOFR, Term SOFR, or, with a Favorable Opinion of Special Counsel, such other index that the District shall select, as an index reasonably expected to measure contemporaneous variations in the cost of newly borrowed funds or inflation, as applicable, pursuant to Section 2.10(A) hereof.

“FRN Index Percentage” means, with respect to any FRN Period, the percentage determined pursuant to Section 2.10(A) hereof with respect to the determination of the FRN Rate.

“FRN Interest Rate Period” means each period during an FRN Period for which a particular FRN Rate is in effect, as described in Section 2.10 hereof.

“FRN Mode” means the Interest Rate Mode during which Certificates represent interest accruing at FRN Rates.

“FRN Period” means the entire period during which Certificates constitute FRN Certificates, which FRN Period shall generally be comprised of multiple FRN Interest Rate Periods, and ending on the day prior to the related FRN Rate Mandatory Purchase Date therefor.

“FRN Rate” means, with respect to the FRN Certificates in a particular FRN Interest Rate Period, the interest rate per annum on FRN Certificates during such FRN Interest Rate Period determined on each FRN Rate Determination Date as provided in Section 2.10 hereof, which is equal to the sum of (a) the FRN Index multiplied by the FRN Index Percentage, plus (b) the FRN Spread.

“FRN Rate Conversion Date” means (i) the date on which a continuation of the FRN Certificates in a new FRN Period occurs and (ii) the date on which a conversion of the Certificates to an FRN Period from an Interest Rate Period other than an FRN Period occurs.

“FRN Rate Determination Date” means, with respect to any FRN Period, the Business Day, as determined by the District pursuant to Section 2.10(A) hereof, on which the FRN Rate is determined by the Calculation Agent for each FRN Interest Rate Period. The FRN Rate Determination Date for FRN Certificates, unless otherwise determined pursuant to Section 2.10(A), shall be (a) during a FRN Period for which the FRN Index is the SIFMA Index, each Wednesday, or if such Wednesday is not a Business Day, the following Business Day, (b) during a FRN Period for which the FRN Index is based on Daily SOFR, each Effective Date, and (c) during a FRN Period for which the FRN Index is based on Term SOFR, the FRN Determination Date specified by the District pursuant to Section 2.10(A) hereof.

“FRN Rate Hard Put Certificates” means those FRN Certificates that, pursuant to the election of the District under Section 2.10(A) hereof, are required to be purchased on an FRN Rate Hard Put Mandatory Purchase Date.

“FRN Rate Hard Put Mandatory Purchase Date” means, with respect to the FRN Rate Hard Put Certificates, the first day following the last day of each FRN Period.

“FRN Rate Mandatory Purchase Date” means, with respect to the FRN Certificates, each FRN Rate Hard Put Mandatory Purchase Date and FRN Rate Soft Put Mandatory Purchase Date.
“FRN Rate Soft Put Certificates” means those FRN Certificates that, pursuant to the election of the District under Section 2.10(A) hereof, are required to be purchased on an FRN Rate Soft Put Mandatory Purchase Date, but only to the extent that (a) remarketing proceeds, (b) funds made available from a Credit Facility or a Liquidity Facility or (c) other amounts made available by the District, in its sole discretion, are available for such purchase.

“FRN Rate Soft Put Mandatory Purchase Date” means, with respect to the FRN Rate Soft Put Certificates, the first day following the last day of each FRN Period.

“FRN Spread” means, with respect to an FRN Period, the spread determined by the Remarketing Agent prior to the commencement of an FRN Period based on the relative spreads of securities that bear interest based on the applicable FRN Index and the applicable FRN Index Percentage that, in the reasonable judgment of the Remarketing Agent, under prevailing market conditions, are otherwise comparable to the Certificates or affect the market for the Certificates or affect such other comparable securities in a manner which, in the reasonable judgment of the Remarketing Agent, will affect the market for the Certificates (assuming for these purposes that the Certificates were to represent interest accruing at FRN Rates for a particular FRN Period). The FRN Spread shall be the spread which, when added to or subtracted from the product of the applicable FRN Index multiplied by the FRN Index Percentage, will, in the judgment of the Remarketing Agent under prevailing market conditions, result in the remarketing of such FRN Certificates in the new FRN Period at a purchase price equal to their principal amount.

“Funding Amount” has the meaning set forth in Section 4.10(C)(iii) hereof.

“Gross Revenues” has the meaning set forth in the Master Indenture.

“Hazardous Substances” means: (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to Persons on or about the Project or (ii) cause the Project to be in violation of any Environmental Regulations; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulations including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other Person coming upon the Project or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.
“Holder” or “Certificateholder”, whenever used herein with respect to a Certificate, means the Person in whose name such Certificate is registered.

“Immediate Termination Date” means, with respect to Certificates secured by a Liquidity Facility in the form of a standby certificate purchase agreement or other standby liquidity agreement, the date, if any, on which the Liquidity Facility Provider’s obligation to advance funds or purchase Certificates under such Liquidity Facility terminates immediately in accordance with its terms.

“Index Reset Date” means such day as set forth in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to a Direct Purchase Mode pursuant to Section 2.13 hereof.

“Initial Fixed Period” means the Fixed Period commencing on the Certificate Delivery Date with respect to the Certificates.

“Initial Window Rate Spread” means with respect to any Conversion to a Window Period, the spread determined by the Remarketing Agent on the applicable Window Rate Determination Date pursuant to Section 2.12 hereof.

“Interest Accrual Date” means:

(a) with respect to any Weekly Period, any Daily Period, any Two Day Period, any Window Period, any FRN Period, any VRO Interest Rate Period, any Fixed Period or any Long-Term Period, the first day thereof and, thereafter, each Interest Payment Date during such period, other than the last such Interest Payment Date;

(b) with respect to any Short-Term Period, the first day thereof;

(c) with respect to any Flexible Rate Period, the first day thereof; and

(d) with respect to any Direct Purchase Period, such day as set forth in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to a Direct Purchase Mode pursuant to Section 2.13 hereof.

“Interest Accrual Period” means, during any Direct Purchase Period, the Interest Accrual Period established in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof.

“Installment Payments” means all of the payments so designated and required to be made by the District pursuant to Section 4.1 of the Sale Agreement.

“Interest Fund” means the fund by that name established pursuant to Section 5.2.

“Interest Payment Date” means:
(a) with respect to any Weekly Period, any Daily Period, any Two Day Period, or any VRO Interest Rate Period, the first Business Day of each calendar month;

(b) with respect to any Fixed Period or Long-Term Period, each [May 1 and November 1, which for the Initial Fixed Period shall commence May 1, 2023][to be confirmed];

(c) with respect to any Short-Term Interest Rate Period, the first Business Day next succeeding the last day thereof;

(d) with respect to any FRN Period, the first Business Day of each calendar month or the Interest Payment Date specified by the District pursuant to Section 2.10(A) hereof;

(e) with respect to each Interest Rate Mode, the day next succeeding the last day thereof, any Conversion Date, any Mandatory Purchase Date and any Certificate Payment Date;

(f) with respect to any Window Period, the first Thursday of each month, or if such first Thursday is not a Business Day, the next succeeding Business Day;

(g) with respect to Certificates in the Flexible Mode, each Mandatory Purchase Date applicable thereto;

(h) with respect to any Liquidity Facility Certificates or Credit Facility Certificates, as provided in the applicable Liquidity Facility or Credit Facility Agreement; and

(i) with respect to any Direct Purchase Period, as may be established in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to a Direct Purchase Mode pursuant to Section 2.13 hereof.

“Interest Rate Mode” means a Daily Mode, a Two Day Mode, a Weekly Mode, a Short-Term Mode, a Long-Term Mode, an FRN Mode, a VRO Mode, a Window Mode, a Flexible Mode, a Direct Purchase Mode or a Fixed Mode.

“Interest Rate Period” means a Daily Interest Rate Period, a Two Day Interest Rate Period, a Weekly Interest Rate Period, a Short-Term Interest Rate Period, a Long-Term Interest Rate Period, a Flexible Rate Period, an FRN Interest Rate Period, a VRO Interest Rate Period, a Window Interest Rate Period, a Direct Purchase Interest Rate Period or a Fixed Period.

“Investment Securities” means any of the investments listed below, in each case subject to the limitations described below.

(1)(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause (1)(a) such as CATS, TIGRs, and Stripped Treasury Coupons rated or assessed in the highest rating category by S&P or Moody’s and held by a custodian for safekeeping on behalf of holders of such securities, or (b) bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in
clause (1)(a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depositary and which are rated in the highest rating category by S&P or Moody’s;

(2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Resolution Funding Corporation (interest strips), Federal Home Loan Bank System, Government National Mortgage Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration;

(3) deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than A-1 by S&P or P-1 by Moody’s and that are commercial banks which deposits or accounts are collateralized as to both principal and accrued interest at 104% by obligations of the kind described in clause (1) (a), held by the District, the Trustee or by a third party satisfactory to the District or the Trustee under arrangements satisfactory to the District or the Trustee, as the case may be, provided that the bank shall create a valid first perfected security interest for the depositor in such obligations;

(4) deposit accounts, federal funds or banker’s acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of “A-1” or “A” or better by S&P or “Prime-1” or “A3” by Moody’s;

(5) repurchase obligations with a term not exceeding thirty (30) days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investor Protection Corporation the (“SIPC”) or a federally chartered commercial bank whose long-term debt obligations are rated A/A2 or better by S&P or Moody’s, with respect to any security described in clause (1)(a); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the District or the Trustee or third party custodian and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the District or the Trustee, as applicable, must have a valid first perfected security interest in such securities;

(6) taxable government money market portfolios consisting of securities issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America, or repurchase agreements collateralized by such obligations;

(7) tax-exempt government money market portfolios consisting of securities which are rated in the highest rating categories of S&P or Moody’s subject to a maximum permissible limit equal to six (6) months of principal and interest represented by the Certificates;

(8) money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AAm-G or AAm or better or a money market fund collateralized by securities listed in clause 1(a) of this definition;
(9) commercial paper rated at the time of purchase “A-1” or better by S&P and or “Prime 1” by Moody’s;

(10) bonds or notes issued by any state or municipality which bonds or notes are rated by S&P or Moody’s in one of the two highest rating categories assigned by such rating agency;

(11) corporate debt securities rated at the time of purchase “AAA” by S&P or “Aaa” by Moody’s;

(12) investment contracts or agreements issued by entities whose long-term debt or the claims paying ability of which are rated in one of the two highest long-term rating categories of S&P or Moody’s;

(13) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts created pursuant to this Trust Agreement;

(14) the San Diego County Investment Pool;

(15) Shares of beneficial interest issued by the Investment Trust of California (CalTRUST), pursuant to California Government Code Section 6509.7; and authorized for local agency investment pursuant to California Government Code Section 53601(o); and

(16) any other investment permitted under the Local Health Care District Law or Section 53601 of the California Government Code.

“Liquidity Facility” means a line of credit, letter of credit, standby purchase agreement, loan, guarantee, or similar liquidity facility for a Series of Certificates issued by a commercial bank or other financial institution which, by its terms, provides for the payment of the Purchase Price of Certificates tendered and not remarshaled, and delivered to the Trustee in accordance with Section 5.4 of the Sale Agreement or, in the event of the delivery of an Alternate Liquidity Facility, such Alternate Liquidity Facility. To the extent a Credit Facility provides for such payment, it shall also be deemed a Liquidity Facility.

“Liquidity Facility Account” means the account by that name in the Certificate Purchase Fund established pursuant to Section 4.10(A)(ii) hereof.

“Liquidity Facility Certificates” means Certificates purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding Certificates no longer considered to be Liquidity Facility Certificates in accordance with the terms of such Liquidity Facility.

“Liquidity Facility Provider” means the commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect.
“Liquidity Facility Rate” means the rate per annum, if any, specified in a Liquidity Facility as applicable to Liquidity Facility Certificates, which shall not exceed the Maximum Interest Rate for Liquidity Facility Certificates.

“Long-Term Certificates” means Certificates that represent interest accruing at Long-Term Rates.

“Long-Term Interest Rate Period” means each period during the Long-Term Period for which a particular Long-Term Rate is in effect.

“Long-Term Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at the Long-Term Rate.

“Long-Term Period” means the entire period during which Certificates constitute Long-Term Certificates, which Long-Term Period shall generally be comprised of multiple Long-Term Interest Rate Periods, during which Long-Term Rates are in effect.

“Long-Term Rate” means the non-variable interest rate per annum on Long-Term Certificates determined on a periodic basis as provided in Section 2.8 hereof.

“Long-Term Rate Mandatory Purchase Date” means the first day following the last day of each Long-Term Interest Rate Period.

“Mandatory Purchase Date” means any Purchase Date on which Certificates are subject to mandatory purchase pursuant to Sections 4.7, 4.8 or 4.9 hereof, including as may be set forth in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof.

“Mandatory Purchase Window” means, during a Window Period, (a) 210 days or (b) such other number of days specified by the Remarketing Agent prior to the commencement of the Window Period, with the consent of the District, in a written notice to the Trustee, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any. Any change in the Mandatory Purchase Window shall become effective only at the commencement of a Window Period, on a Window Rate Mandatory Purchase Date or any other mandatory tender for purchase for Window Certificates that occurs pursuant to Section 4.7 hereof during such Window Period.

“Market Agent” means the Person, if any, appointed by the District to serve as market agent in connection with any Direct Purchase Period.

“Mandatory Sinking Account Payment” means the amount required by Section 5.3(E) to be applied by the Trustee on any single Certificate Payment Date for the retirement of Term Certificates.

“Master Indenture” means that certain Master Trust Indenture, dated as of December 1, 2006, between the District and the Master Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof, including as supplemented by Supplement No. 12.
“Master Trustee” means U.S. Bank Trust Company, National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as successor master trustee to U.S. Bank National Association under the Master Indenture.

“Maximum Interest Rate” means 12% per annum for all Certificates except Direct Purchase Certificates, Liquidity Facility Certificates and Credit Facility Certificates, for which the Maximum Interest Rate shall be the Maximum Lawful Rate; provided, however, that in any case the Maximum Interest Rate on any Certificates shall not exceed the Maximum Lawful Rate.

“Maximum Lawful Rate” means the maximum nonusurious rate of interest on the relevant obligation permitted by applicable law.

[“Maximum Annual Certificate Service” means, as of any date of calculation, the sum of (1) interest falling due with respect to then Outstanding Certificates (assuming that all then Outstanding Serial Certificates are paid on their respective Certificate Payment Dates and all then Outstanding Term Certificates are paid at the times of and in amounts provided for by Mandatory Sinking Account Payments), (2) the principal components of then Outstanding Serial Certificates due and payable, and (3) the aggregate amount of Mandatory Sinking Account Payments required to be paid; all as computed for the then-current or any future Certificate Year in which such sum is the largest.][related to reserve fund requirements; tbc]

“Members” or “Members of the Obligated Group” means the District, Arch Health Partners, Inc. and each other Person that is then obligated under the Master Indenture.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District by notice in writing to the Authority and the Trustee.

“New Project” means the acquisition, construction, expansion, renovation, improvement and equipping of certain health care facilities, owned and operated (or to be owned and operated) by the District, located in the County of San Diego, California.

“Noticed Termination Date” means, with respect to Certificates secured by a Liquidity Facility in the form of a standby certificate purchase agreement or other standby liquidity agreement or a Credit Facility, the date on which a Liquidity Facility Provider’s or Credit Facility Provider’s obligation to advance funds or purchase Certificates under a Liquidity Facility or Credit Facility terminates or has not been reinstated as stated in the Liquidity Facility Provider’s or Credit Facility Provider’s notice of termination delivered pursuant to the Liquidity Facility or Credit Facility and related Credit Facility Agreement due to a non-reimbursement of the Credit Facility Provider or Liquidity Facility Provider or default under specified sections of the Liquidity Facility or Credit Facility Agreement, as applicable, which date of termination shall be fifteen (15) days (or such other period as is specified in the Liquidity Facility or Credit Facility Agreement) after the date of receipt by the Trustee of such notice.
“OBFR” means, with respect to any Effective Date, the Overnight Bank Funding Rate on the Federal Reserve’s Website as of 4:00 p.m., New York City time, on the Daily SOFR Determination Date for each related Daily SOFR Reference Date.

“OBFR Index Cessation Date” means, in respect of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the OBFR), ceases to publish the OBFR, or the date as of which the OBFR may no longer be used.

“OBFR Index Cessation Event” means the occurrence of one or more of the following events:

1. a public statement by the Federal Reserve Bank of New York (or a successor administrator of the OBFR) announcing that it has ceased to publish or provide the OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide an OBFR; or

2. the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the OBFR) has ceased to provide the OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the OBFR.

“Obligated Group” means the District and each other Person which becomes and is a Member of the Obligated Group pursuant to the terms of the Master Indenture.

“Obligation No. 12” means the obligation issued pursuant to the Master Indenture and Supplement No. 12.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority or the District) selected by the District. If and to the extent required by the provisions of Section 1.2, each Opinion of Counsel shall include the statements provided for in Section 1.2.

“Optional Prepayment Account” means the account by that name in the Prepayment Fund established pursuant to Section 5.4.

“Outstanding”, when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 11.10) all Certificates theretofore, or thereupon being, executed and delivered by the Trustee under this Trust Agreement except: (1) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates with respect to which all liability of the Authority shall have been discharged in accordance with Article X, including Certificates (or portions of Certificates) referred to in Section 11.11; (3) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to this Trust Agreement; (4) Certificates alleged to have been mutilated, destroyed, lost or stolen and for which security or indemnity has been provided, as provided in Section 2.21 hereof; and (5) any Undelivered Certificate.

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

“Prepayment Fund” means the fund by that name established pursuant to Section 5.4.

“Prepayment Price” means, with respect to any Certificate (or portion thereof), the principal amount with respect to such Certificate (or portion), plus the applicable premium, if any, payable upon prepayment thereof pursuant to the provisions of such Certificate and this Trust Agreement.

“Prime Rate” means, during any Direct Purchase Period, the Prime Rate set forth in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof.

“Principal Fund” means the fund by that name established pursuant to Section 5.3.

“Principal Office” of a Remarketing Agent, a Calculation Agent or a Market Agent means the address for such Remarketing Agent, Calculation Agent or Market Agent designated in writing to the Trustee and the District.

“Prior Project” means the acquisition, construction, expansion, improvement, renovation, and equipping of certain health care facilities of District, which were financed and refinanced with proceeds of the 2006 Certificates, and the payment of costs associated with terminating the swap agreements related to the 2006 Certificates.

“Project” means, collectively, the Prior Project and the New Project.

“Project Fund” means the fund so designated which is established pursuant to Section 3.4 hereof.

“Purchase Agreement” means that certain Purchase Agreement, dated as of November 1, 2022, between the Authority and the District, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Trust Agreement.

“Purchase Agreement Default” means any of the events specified in Section 4.1 of the Purchase Agreement.

“Purchase Date” means each date on which Certificates are subject to optional or mandatory purchase pursuant to this Trust Agreement and shall include each Mandatory Purchase Date and each date on which the District provides funds pursuant to the proviso contained in Section 4.18(B) hereof following return of the Certificates to the Holders pursuant to Section 4.18(A) hereof.

“Purchase Price” means, with respect to a Certificate subject to purchase on a Purchase Date, an amount equal to the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that:
(a) if the Purchase Date for any Purchased Certificate is an Interest Payment Date, the Purchase Price thereof shall be the principal amount represented by such Certificate, and interest payable represented by such Certificate shall be paid to the Holder of such Certificate pursuant to this Trust Agreement; and

(b) in the case of a purchase on a Conversion Date which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, “Purchase Price” of any Purchased Certificates means the optional Prepayment Price set forth in Section 4.1(G) hereof which would have been payable if such Long-Term Certificate were prepaid on such Conversion Date, plus accrued interest, if any, to but not including, the Purchase Date.

“Purchased Certificates” means the Certificates to be purchased on a Purchase Date pursuant to Sections 4.6, 4.7, 4.8 or 4.9 hereof.

“Qualified Investments” subject to the Tax Certificate, means investments in any of the following:

(a) United States Government Obligations and bonds or securities issued or guaranteed as to principal and interest by a commission, board or other instrumentality of the federal government;

(b) short-term discount obligations of the Federal National Mortgage Association;

(c) certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Trustee), demand deposits, interest bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, other bank deposit products, bankers acceptances or time deposits constituting direct obligations of any bank, including the Trustee or any of its affiliates, the full amount of which is insured by the Federal Deposit Insurance Corporation;

(d) time deposits in any credit union, bank, savings bank, trust company or savings and loan association that is authorized to transact business in the State of California if the time deposits mature in not more than three years;

(e) unsecured certificates of deposit, time deposits, bank deposit products, and bankers’ acceptances of any bank the short-term obligations of which are rated, at the time of purchase, in one of the three highest Rating Categories by a Rating Agency (without regard to any credit enhancement) (a “Required Rating”);

(f) obligations of any state of the United States of America or any political subdivision of any state of the United States of America or any agency or instrumentality of any such state or political subdivision, which has at the time of their purchase a Required Rating;

(g) any security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating that is the highest or second highest rating category assigned by S&P, Moody’s or other...
similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer that has such a rating;

(h) securities of an open-end management investment company or investment trust (including those for which the Trustee or its affiliates receive and retain a fee for services provided to the fund, whether as a custodian, transfer agent or otherwise) if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the Investment Company Act of 1940, 15 USC 80a-1 to 80a-64, and if the portfolio of the investment company or investment trust is limited to the following: (i) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (ii) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government and (iii) repurchase agreements that are fully collateralized by bonds or securities described under (i) or (ii); and

(i) commercial paper having, at the time of investment or contractual commitment to invest therein, a rating of A-1 or better from S&P or P-1 from Moody’s.

(j) investment agreements with, or guaranteed by, a domestic or foreign bank, financial institution or other entity the long-term ratings of which are rated at the time of execution in one of the three highest Rating Categories by at least two Rating Agencies.

(k) municipal obligations issued by any state or municipality with a rating by both Moody's and S&P in one of the two highest Rating Categories by such Rating Agencies;

(l) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime – 1” or “A3” or better by Moody's and “A-1” or “A” or better by S&P; and

(m) other forms of investments (including repurchase agreements) provided or guaranteed by a domestic or foreign bank, financial institution or other entity the long-term ratings of which are rated at the time of execution in one of the three highest Rating Categories by at least two Rating Agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually.

“Rating Agency” means Fitch, Moody’s and S&P or such other nationally recognized rating agency then assigning a rating to the Certificates at the request of the District.

“Rating Category” means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

“Real Property” means the real estate described in Exhibit A to the Purchase Agreement and Exhibit A to the Sale Agreement.

“Rebate Amount” means any amount required by Section 5.6 hereof and the Tax Certificate to be paid to the United States government.
“Rebate Fund” means the Rebate Fund established pursuant to Section 5.6.

“Record Date” means, with respect to any Interest Payment Date, (a) with respect to any Certificates other than Long-Term Certificates or Fixed Certificates, the Business Day immediately preceding such Interest Payment Date, and (b) with respect to Long-Term Certificates or Fixed Certificates, the fifteenth day of the month immediately preceding that Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means books maintained by the Trustee on behalf of the Authority at the Corporate Trust Office of the Trustee for the purpose of recording the registration, transfer, exchange or replacement of any of the Certificates.

“Reimbursement Obligations” means those amounts required to be reimbursed to a Credit Facility Provider or Liquidity Facility Provider upon payment under a Credit Facility or Liquidity Facility.

“Remarketing Agent” means, with respect to the Certificates, the financial institution or institutions as may be designated by the District as the Remarketing Agent, if any, for such Certificates, or any other Remarketing Agent or successor or additional Remarketing Agent appointed in accordance with this Trust Agreement. No Remarketing Agent shall be required during any Fixed Period, during any Direct Purchase Period until the applicable Direct Purchase Rate Mandatory Purchase Date or during any Long-Term Rate Period until the applicable Long-Term Rate Mandatory Purchase Date.

“Remarketing Agreement” means any agreement between the District and a Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent under this Trust Agreement.

“Remarketing Proceeds Account” means the account by that name within the Certificate Purchase Fund established pursuant to Section 4.10(A)(ii) hereof.

“Remarketing Window” has the meaning given in Section 4.10(C)(iv) hereof.

“Required Stated Amount” means with respect to a Liquidity Facility or a Credit Facility, at any time of calculation, an amount equal to the aggregate principal amount represented by all Certificates then Outstanding secured by such Liquidity Facility or Credit Facility together with interest represented thereby (assuming that the interest represented by such Certificates accrue at an annual rate of interest equal to the Maximum Interest Rate) for the period as shall be specified in a certificate of the District to be the minimum period specified by the Rating Agencies then rating such Certificates as necessary to obtain (or maintain) a specified short term rating of such Certificates.

“Reserve Fund” means the fund by that name established pursuant to Section 5.5.

[“Reserve Fund Requirement” means, $[ ], which is an amount equal to the annual interest payment on the Certificates.][to be confirmed]
“Reserved Rights” means those certain rights of the Authority under the Sale Agreement to indemnification and to payment or reimbursement of fees and expenses of the Authority, including specifically, but, without limitation, Supplemental Payments payable to the Authority under Section 4.2 of the Sale Agreement, its right to inspect and audit the books, records and premises of the District, its right to collect attorneys’ fees and related expenses, its right to enforce the District’s covenant to comply with applicable federal tax law and State law, its right to receive notices and to grant or withhold consents or waivers under the Sale Agreement and this Trust Agreement, and its right to amend this Trust Agreement and the Sale Agreement in accordance with the provisions hereof and thereof.

“Rule 15c2-12” means Rule 15c2-12 promulgated by the Securities and Exchange Commission, as amended from time to time.

“S&P” means S&P Global Ratings, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District by notice in writing to the Authority and the Trustee.

“Sale Agreement” or “Agreement” means that certain Installment Sale Agreement, dated as of November 1, 2022, between the Authority and the District, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Trust Agreement.

“Sale Agreement Default” means any of the events specified in Section 8.1 of the Sale Agreement.

“Securities Act” means the Securities Act of 1933, as amended.

“Securities Depository” means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in Section 2.23.

“Self-Liquidity Arrangement” means an agreement or other arrangement from the District to pay the Purchase Price of the Certificates.

“Serial Certificates” means the Certificates payable with respect to principal in specified years, for which no Mandatory Sinking Account Payments have been established.

“Series” or “Sub-Series,” when used with respect to the Certificates, means all the Certificates designated as being of the same Series or Sub-Series, whether upon initial issuance thereof or upon any Conversion of a portion of a Series or Sub-Series and redesignation thereof into one or more Sub-Series, authenticated and delivered in a simultaneous transaction, and any Bonds thereafter authenticated and delivered upon a transfer or exchange or in lieu of or in substitution for such Bonds of such Series or Sub-Series, or upon a Conversion of a portion of any Series or Sub-Series of the Certificates, as herein provided. In the event that the Certificates or a portion of the Certificates have been so designated as being in more than a single Series or Sub-Series, references in this Trust Agreement, the Sale Agreement and the Purchase Agreement to the Certificates shall, as the context may require, refer to only the Certificates of the particular Series or Sub-Series in question.
“Short-Term Certificates” means Certificates that represent interest accruing at Short-Term Rates.

“Short-Term Interest Rate Period” means each period during the Short-Term Period for which a particular Short-Term Rate is in effect.

“Short-Term Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at Short-Term Rates.

“Short-Term Period” means each period during which Certificates constitute Short-Term Certificates, which Short-Term Period shall generally be comprised of multiple Short-Term Interest Rate Periods, during which Short-Term Rates are in effect.

“Short-Term Rate” means the interest rate per annum on Short-Term Certificates determined on a periodic basis as provided in Section 2.7 hereof.

“Short-Term Rate Mandatory Purchase Date” means the first day following the last day of each Short-Term Interest Rate Period.


“SIFMA Index” means, on any date, a rate determined on the basis of the seven day high grade market index of tax-exempt variable rate demand obligations, as produced by Bloomberg (or successor organizations) and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the District and effective from such date or if such index is no longer produced or available, either (i) the S&P Municipal Bond 7 Day High Grade Rate Index as produced and made available by S&P Dow Jones Indices LLC (or successor organizations) or (ii) with a Favorable Opinion of Special Counsel, such other index designed to measure the average interest rate on weekly interest rate reset demand bonds similar to the Certificates as selected by the District.

“Sinking Accounts” means the subaccounts in the Principal Fund so designated and established pursuant to Section 5.3.

“SOFR Index Cessation Date” means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate) ceases to publish the Secured Overnight Financing Rate or the CME Group or the CME Benchmark Administration Limited (or any successor administrator of Term SOFR) ceases to publish Term SOFR, or the date as of which the Secured Overnight Financing Rate may no longer be used.

“SOFR Index Cessation Event” means the occurrence of one or more of the following events:

(1) (a) as it relates to Daily SOFR, a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased to publish or provide the Secured Overnight Financing Rate permanently or
indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide a Secured Overnight Financing Rate; or

(b) as it relates to Term SOFR, a public statement by the CME Group or the CME Benchmark Administration Limited (or any successor administrator of Term SOFR) announcing that it has ceased to publish or provide Term SOFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide Term SOFR; or

(2) (a) as it relates to Daily SOFR, the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate; or

(b) as it relates to Term SOFR, the publication of information which reasonably confirms that the CME Group or the CME Benchmark Administration Limited (or any successor administrator of Term SOFR) has ceased to provide Term SOFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide Term SOFR.

“Special Counsel” means Orrick, Herrington & Sutcliffe LLP or another attorney-at-law, or firm of such attorneys, whose opinions in matters pertaining to the tax-exempt nature of interest represented by obligations issued by states and their political subdivisions are accepted nationally and acceptable to the Authority.

“Special Prepayment Account” means the account by that name in the Prepayment Fund established pursuant to Section 5.4.

“Special Record Date” means a special date fixed to determine the names and addresses of Holders of Certificates for purposes of paying defaulted interest, all as further provided in Section 2.2(B)(6) hereof.

“State or State of California” means the State of California.

“Supplement No. 12” means that certain Supplemental Master Indenture for Palomar Health Master Indenture Obligation No. 12, dated as of November 1, 2022, between the District and the Master Trustee.

“Supplemental Payments” means the payments so designated and required to be made by the District pursuant to Section 4.2 of the Sale Agreement.

“Supplemental Purchase Agreement” means any supplemental agreement hereafter duly authorized and entered into between the Authority and the District, supplementing, modifying or amending the Purchase Agreement; but only if and to the extent that such Supplemental Purchase Agreement is specifically authorized under the Purchase Agreement and this Trust Agreement.
“Supplemental Sale Agreement” means any supplemental installment sale agreement hereafter duly authorized and entered into between the Authority and the District, supplementing, modifying or amending the Sale Agreement; but only if and to the extent that such Supplemental Sale Agreement is specifically authorized under the Sale Agreement and this Trust Agreement.

“Supplemental Trust Agreement” means any supplement to this Trust Agreement hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Trust Agreement, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized hereunder.

“Tax Certificate” means that certain Tax Certificate, dated the Certificate Delivery Date, and executed by the District, as the same may be amended or supplemented in accordance with its terms.

“Term Certificates” means Certificates payable with respect to principal at or before their specified Certificate Payment Dates from Mandatory Sinking Account Payments established for such purpose.

“Term SOFR” means, with respect to any Effective Date, CME Term SOFR Reference Rates for one-, three-, six-month or 12-month tenors or such other available tenors as published by CME Group determined as follows:

(1) The Secured Overnight Financing Rate for the applicable tenor as published by the CME Group’s website (or such other service as may be licensed by CME Group for the purpose of displaying term SOFR rates for such tenor) as of 4:00 p.m., New York City time, two U.S. Government Securities Business Days prior to such Effective Date.

(2) If the Secured Overnight Financing Rate for the applicable tenor cannot be determined with respect to such Effective Date as specified in paragraph (1), unless both a SOFR Index Cessation Event and a SOFR Index Cessation Date have occurred, then the Calculation Agent shall use the Secured Overnight Financing Rate for such tenor in respect of the last U.S. Government Securities Business Day for which such Secured Overnight Financing Rate was published on the CME Group’s website (or such other service as may be licensed by CME Group for the purpose of displaying term SOFR rates for such tenor).

(3) If a SOFR Index Cessation Event and SOFR Index Cessation Date have occurred, the Calculation Agent shall determine the FRN Rate as if references to Term SOFR for such tenor were references to the rate that was recommended as the replacement for the Secured Overnight Financing Rate for such tenor by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator, which rate may include any adjustments or spreads, and which rate will be reasonably expected to measure contemporaneous variations in the cost of newly borrowed funds in U.S. dollars).

If Term SOFR determined as above would be less than zero, then such rate shall be deemed to be zero.
“Treasury Obligations” means non-callable direct obligations of the United States of America.

“Trust Agreement” means this Trust Agreement, dated as of November 1, 2022, between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended in accordance with its terms.

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.1.

“Two Day Certificates” means Certificates that represent interest accruing at Two Day Rates.

“Two Day Interest Rate Period” means each two day period during a Two Day Period for which a particular Two Day Rate is in effect.

“Two Day Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at Two Day Rates.

“Two Day Period” means the entire period during which Certificates constitute Two Day Certificates, which Two Day Period shall generally be comprised of multiple Two Day Interest Rate Periods, during which Two Day Rates are in effect.

“Two Day Rate” means the interest rate per annum on Two Day Certificates determined on a two day basis as provided in Section 2.5 hereof.

“Undelivered Certificate” means any Certificate that constitutes an Undelivered Certificate under the provisions of Section 4.12 hereof.

“Undelivered Certificate Payment Account” means the account by that name within the Certificate Purchase Fund established pursuant to Section 4.10(A)(ii) hereof.

“United States Government Obligations” means obligations that are direct, full faith and credit obligations of the United States of America or are obligations with respect to which the United States of America has fully and unconditionally guaranteed the timely payment of all principal or interest or both, but only to the extent of the principal or interest so guaranteed.

“Unremarketed Certificates” means Direct Purchase Certificates for which the Holders have not received the full Purchase Price of all of their Certificates on the applicable Direct Purchase Rate Mandatory Purchase Date.

“U.S. Government Securities Business Day” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. Government Securities.

“VRO” means Variable Remarketed Obligation.
“VRO Certificates” means Certificates that represent interest accruing at VRO Rates.

“VRO Interest Rate Period” means each day during a VRO Period for which a particular VRO Rate is in effect.

“VRO Interest Rate Period Designated Amount” has the meaning given in Section 2.11(B)(i) hereof.

“VRO Interest Rate Period Failed Remarketing Event” has the meaning given in Section 2.11(C)(i) hereof.

“VRO Interest Rate Period Purchase Date” has the meaning given in Section 2.11(B)(i) hereof.

“VRO Interest Rate Period Purchase Price” has the meaning given in Section 2.11(B)(ii) hereof.

“VRO Interest Rate Period Remarketing Date” has the meaning given in Section 2.11(C)(ii) hereof.

“VRO Interest Rate Period Remarketing Date Purchase Price” has the meaning given in Section 2.11(C)(ii) hereof.

“VRO Interest Rate Period Remarketing Notice” has the meaning given in Section 2.11(B)(iv) hereof.

“VRO Interest Rate Period Remarketing Window” has the meaning given in Section 2.11(B)(iv) hereof.

“VRO Interest Rate Period Special Mandatory Prepayment Date” means the earlier of (i) the Certificate Payment Date of the VRO Certificates and (ii) the third anniversary of the VRO Interest Rate Period Tender Notice Date relating to the VRO Interest Rate Period Tender Notice that resulted in the applicable VRO Interest Rate Period Failed Remarketing Event (or if such day is not a Business Day, the next preceding Business Day).

“VRO Interest Rate Period Tender Notice” has the meaning given in Section 2.11(B)(i) hereof.

“VRO Interest Rate Period Tender Notice Date” has the meaning given in Section 2.11(B)(i) hereof.

“VRO Interest Rate Period Tendered Certificates” has the meaning given in Section 2.11(B)(ii) hereof.

“VRO Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at the VRO Rate.
“VRO Rate” means the interest rate per annum on VRO Certificates determined on a periodic basis as provided in Section 2.11 hereof.

“VRO Period” means each period during which Certificates are in the VRO Mode, which VRO Period shall generally be comprised of multiple VRO Interest Rate Periods.

“VRO Step Up Rate” means the lesser of (i) 12% per annum or (ii) the Maximum Lawful Rate.

“Weekly Certificates” means Certificates that represent interest accruing at Weekly Rates.

“Weekly Interest Rate Period” means each weekly period during the Weekly Period for which a particular Weekly Rate is in effect.

“Weekly Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at Weekly Rates.

“Weekly Period” means the entire period during which Certificates constitute Weekly Certificates, which Weekly Period shall generally be comprised of multiple Weekly Interest Rate Periods, during which Weekly Rates are in effect.

“Weekly Rate” means the interest rate per annum on Weekly Certificates determined on a weekly basis as provided in Section 2.6 hereof.

“Window Certificates” means Certificates that represent interest accruing at Window Rates.

“Window Interest Rate Period” means each period during the Window Period for which a particular Window Rate is in effect, which shall be a period generally consisting of 7 days commencing on a Thursday and ending on the following Wednesday, except in the case of (a) the initial Window Rate Interest Period occurring after a Conversion to the Window Mode for which the period shall be from the applicable Conversion Date to and including the following Wednesday and (b) the last Window Interest Rate Period during a Window Period, for which the period shall end on the day preceding the applicable Conversion Date, prepayment date or Certificate Payment Date.

“Window Mode” means the Interest Rate Mode during which the Certificates represent interest accruing at the Window Rate.

“Window Period” means the entire period during which Certificates constitute Window Certificates, which Window Period shall generally be comprised of multiple Window Interest Rate Periods, during which Window Rates are in effect.

“Window Rate” means the interest rate per annum on Window Certificates determined on a periodic basis as provided in Section 2.12 hereof.

“Window Rate Determination Date” means, with respect to Window Certificates, in the case of a Conversion of Certificates to the Window Period, a Business Day not later than the
applicable Conversion Date, and thereafter, each Thursday or, if Thursday is not a Business Day, then the Business Day next following such Thursday.

“Window Rate Mandatory Purchase Date” has the meaning given in Section 4.11(B)(iii) hereof.

“Window Rate Optional Purchase Date” has the meaning given in Section 4.6(B)(iii) hereof.

“Window Rate Spread” means, during a Window Period, (a) the Initial Window Rate Spread, or (b) a revised spread determined by the Remarketing Agent pursuant to Section 2.12 hereof.

“Written Request” means with reference to the Authority, a request in writing signed by an Authorized Signatory of the Authority and, with reference to the District, means a request in writing signed by an Authorized Representative of the District.

Section 1.2. Content of Certificates.

(A) Every certificate provided for herein with respect to compliance with any provision hereof shall include: (1) a statement that the Person making or giving such certificate has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which such certificate is based; (3) a statement that, in the opinion of such Person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the certificate to which his signature is affixed; and (4) a statement as to whether, in the opinion of such Person, such provision has been complied with.

(B) Any such certificate made or given by an officer of the Authority or the District may be based, insofar as it relates to legal, accounting or health care matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate or representation with respect to the matters upon which such certificate or representation may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority or the District, as the case may be) upon a certificate or opinion of or representation by an officer of the Authority or the District, unless such counsel, accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person’s certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or the District, or the same counsel or accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel, accountants or management consultants may certify to different matters, respectively.
Section 1.3. Interpretation.

(A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II
THE CERTIFICATES

Section 2.1. Execution and Delivery of Certificates. The Trustee is hereby authorized to register, execute and deliver the Certificates in the aggregate principal amount of [par in words] dollars ($[PAR]) evidencing undivided ownership interests in the Installment Payments to be paid by the District under and pursuant to the Sale Agreement. In connection with any Conversion of Certificates (in whole or in part) or any mandatory tender and remarketing of Certificates (in whole or in part) on any Purchase Date, at the written direction of the District any such Certificates or portions of the Certificates may be reconfigured, combined or re-designated or divided to create Sub-Series or to combine any such Sub-Series.

Section 2.2. Terms of the Certificates; Registration, Denominations, Payments With Respect to Certificates; Form of Certificates.

(A) The Certificates shall be delivered as fully registered Certificates without coupons in Authorized Denominations (other than Certificates during any Direct Purchase Period which shall be in any larger denominations as may be directed in writing by the Direct Purchaser). The Certificates shall be registered in the name of “Cede & Co.,” as initial nominee of DTC (except during any Direct Purchase Period, when the Certificates shall be registered in the name of the Direct Purchaser as provided in Section 2.13(D)(iii) hereof or as otherwise directed by the Direct Purchaser), and shall be evidenced initially by one Certificate for each interest rate and Certificate Payment Date (upon a future Conversion to a new Fixed Period, which, if serialized, may be evidenced by a Certificate for each interest rate and Certificate Payment Date as provided in Section 2.15(F)(vi) hereof). Registered ownership of the Certificates, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.22.

The Certificates and the form of assignment to appear thereon shall be in substantially the forms, respectively, appearing in Exhibit A hereto, with necessary or appropriate variations, omissions and insertions as permitted or required hereby. The Certificates, as initially issued, shall be dated the Certificate Delivery Date and shall be numbered in consecutive numerical order from 1 upwards.
The interest components of the Certificates shall represent interest accruing, payable on each Interest Payment Date in lawful money of the United States of America (i) initially for the Initial Fixed Period, at the rates set forth in Section 2.3(A) for the applicable Certificate Payment Date, and (ii) if later converted, the rates for the applicable Interest Rate Mode and Certificate Payment Date, as applicable, determined pursuant to this Article II from the date thereof. The interest components shall represent the portion of the Installment Payments designated as interest coming due on the Interest Payment Dates in each year.

For any Weekly Period, Daily Period, Two Day Period, FRN Period, VRO Interest Rate Period or Window Period, the interest component shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Period, Daily Period, Two Day Period, FRN Period, VRO Interest Rate Period or Window Period, as applicable), unless changed by the District on or prior to any Conversion Date for the Certificates subject to Conversion upon written notice to the Trustee. For any Short-Term Period, Flexible Rate Period, Fixed Period or Long-Term Period, the interest component shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. For any Direct Purchase Period, the interest component shall be payable on each Interest Payment Date for each Interest Accrual Period.

Interest represented by the Certificates shall be payable to the date on which the respective Certificates shall have been paid in full. Interest shall be computed, in the case of Fixed Certificates or Long-Term Certificates, on the basis of a 360 day year consisting of twelve 30 day months, in the case of Direct Purchase Certificates or FRN Certificates using Term SOFR, on the basis of a 360 day year for the actual number of days elapsed, and in the case of Weekly Certificates, Daily Certificates, Two Day Certificates, Short-Term Certificates, FRN Certificates (other than those using Term SOFR), VRO Certificates, Window Certificates, or Flexible Rate Certificates, on the basis of a 365 or 366 day year, as appropriate, and the actual number of days elapsed, unless changed by the District on or prior to any Conversion Date for the Certificates subject to Conversion upon written notice to the Trustee.

The determination of the interest rates represented by the Certificates by the Remarketing Agent, the Market Agent, or the Calculation Agent, as applicable, shall be conclusive and binding upon the Authority, the District, the Trustee, the Remarketing Agent, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Direct Purchaser, if any, and the Holders of such Certificates.

Except as provided in the following sentence and in Section 2.2(F) below for the Direct Purchase Period, interest represented by the Certificates shall be payable on each Interest Payment Date by the Trustee by check mailed on the date on which due to the Holders of Certificates at the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of Holders as shall appear on the Registration Books as of the close of business of the Trustee as of such Record Date. In the case of any Holder of Certificates in an aggregate principal amount in excess of $1,000,000 as shown on the Registration Books who, prior to the Record Date next preceding any Interest Payment Date, shall have provided the Trustee with written wire transfer instructions containing the wire transfer address within the continental United
States, interest payable on such Certificates shall be paid in accordance with the wire transfer instructions provided by the Holder of such Certificate.

(6) If available funds are insufficient on any Interest Payment Date to pay the interest then due on the Certificates, interest shall continue to accrue thereon but shall cease to be payable to the Holder on such Record Date. If sufficient funds for the payment of such overdue interest thereafter become available, the Trustee shall (A) establish a “special interest payment date” for the payment of the overdue interest and a Special Record Date (which shall be a Business Day) for determining the Certificateholders entitled to such payment and (B) mail notices by first class mail of such dates as soon as practicable. Notice of each such date so established shall be mailed to each Certificateholder at least ten (10) days prior to the Special Record Date but not more than thirty (30) days prior to the special interest payment date. The overdue interest shall be paid on the special interest payment date to the Holders, as shown on the Registration Books as of the close of business on the Special Record Date.

(7) Notwithstanding the foregoing provisions of this Section 2.2(B), Liquidity Facility Certificates and Credit Facility Certificates shall represent interest accruing, respectively, at the applicable Liquidity Facility Rate or the applicable Credit Facility Rate and shall be payable as set forth in this Trust Agreement and the applicable Liquidity Facility or Credit Facility Agreement.

(C) (1) The principal components of the Certificates shall represent the portion of the Installment Payments designated as principal coming due on the Certificate Payment Dates, and shall be payable on their respective Certificate Payment Dates.

(2) The Mandatory Sinking Account Payments established for the Certificates pursuant to Section 5.3(E) hereof may be redesignated as Certificate Payment Dates and Mandatory Sinking Account Payments on a Fixed Rate Conversion Date for the Certificates to a Fixed Period other than the Initial Fixed Period as provided in Section 2.15(F)(vi) hereof.

(3) The Certificate Payment Dates and Mandatory Sinking Account Payments established for any Fixed Period may be redesignated as Certificate Payment Dates and Mandatory Sinking Account Payments on a Conversion Date for the Certificates as provided in Section 2.15(F)(vii) hereof.

(4) The principal or Prepayment Price of the Certificates shall be payable in lawful money of the United States of America at the offices of the Trustee located at [[111 Fillmore Ave. E, St. Paul, MN 55107]], or such other address designated by the Trustee, upon surrender of the Certificates to the Trustee for cancellation; provided that the Trustee may agree with the Holder of any Certificate that such Holder may, in lieu of surrendering the same for a new Certificate, endorse on such Certificate a record of partial payment of the principal represented by such Certificate in the form set forth below (which shall be typed or printed on such Certificate):

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Principal Amount Paid</th>
<th>Balance of Principal Amount Unpaid</th>
<th>Signature of Holder</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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The Trustee shall maintain a record of each such partial payment made in accordance with the foregoing agreement and such record of the Trustee shall be conclusive. Such partial payment shall be valid upon payment of the amount thereof to the Holder of such Certificate, and the Authority and the Trustee shall be fully released and discharged from all liability to the extent of such payment regardless of whether such endorsement shall or shall not have been made upon such Certificate by the Holder thereof and regardless of any error or omission in such endorsement.

(D) The Certificates shall be subject to prepayment as provided in Article IV.

(E) Except during any period when the Certificates are not required or permitted to have CUSIP numbers as specified in a Certificateholder Agreement, the Trustee shall identify all payments (whether made by check or by wire transfer) of interest and principal by CUSIP number of the Certificates. The Trustee shall identify all payments (whether made by check or by wire transfer) of interest and principal by CUSIP number of the Certificates.

(F) The Authority and the Trustee agree, during the Direct Purchase Period, unless otherwise given Electronic Notice from the District, that all amounts payable with respect to such Direct Purchase Certificates shall be paid directly by the District to the Direct Purchaser (without any presentment thereof to the District or to the Trustee, except upon the payment of the final installment of principal, when presentment shall be made to the Trustee, and without any notation of such payment being made thereon) in such manner and at the address or wire instructions specified in the Certificateholder Agreement or at such other address in the United States as may be designated by the Direct Purchaser in writing to the Trustee and the District. Any payment made shall be accompanied by sufficient information to identify the source and proper application of such payment. The Direct Purchaser shall notify the Authority, the District and the Trustee in writing of any failure of the District to make any payment of the principal or Purchase Price or interest on such Direct Purchase Certificates when due, and the Trustee shall not be deemed to have any notice of such failure unless it has received such notice in writing. If Direct Purchase Certificates are sold or transferred, the selling or transferring Holder shall notify the Authority, the Trustee and the District in writing of the name and address of the transferee, the effective date of the transfer, the outstanding principal amount of such Direct Purchase Certificates as of the transfer date and the payment information notated on such Direct Purchase Certificates as described below, and it will, prior to delivery of such Direct Purchase Certificates, make a notation on such Certificates of the date to which interest has been paid thereon and of the amount of any prepayments made on account of the principal thereof. Furthermore, the Trustee shall have no obligations to make payments of the principal or Purchase Price or interest on such Direct Purchase Certificates, nor shall the Trustee be obligated to collect any required payments under the Sale Agreement or to take any other action in respect thereof, except at the express written direction of the District or the Direct Purchaser.

During each Direct Purchase Period, the Direct Purchaser shall notify the Authority, the Trustee and the District by Electronic Notice or by other writing, not later than the Business Day preceding each Certificate payment date, of the amount of principal and interest due and payable on each such Certificate payment date.
Section 2.3. **Initial Interest Rates; Subsequent Interest Rates**

(A) **Initial Interest Rate Mode.** The initial Interest Rate Mode for the Certificates shall be the Fixed Mode and the Certificates during the Initial Fixed Period shall represent interest accruing at the interest rates set forth in, and shall have the Certificate Payment Dates, subject to prepayment, on November 1 of the year and in the principal amounts set forth in, the following schedule:

<table>
<thead>
<tr>
<th>Certificate Payment Date (November 1)</th>
<th>Principal Components</th>
<th>Interest Rate on Principal Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>20[__]†</td>
<td>$[PAR]$</td>
<td>[_]%</td>
</tr>
</tbody>
</table>

† Final Certificate Payment Date

All or a portion of the Certificates may be converted to different Interest Rate Modes, as provided in this Article II.

(B) **Interest Rate Periods.** In the manner hereinafter provided, the term of the Certificates in each Interest Rate Mode will be divided into consecutive Interest Rate Periods during each of which such Certificates shall represent interest accruing at a Daily Rate, a Two Day Rate, a Weekly Rate, a Short-Term Rate, a Long-Term Rate, a Flexible Rate, an FRN Rate, a VRO Rate, a Window Rate, a Fixed Rate or a Direct Purchase Rate, as may be applicable for the specific Interest Rate Mode.

(C) **Determination of Interest Rates.**

(1) **Interest Rates.** All Certificates shall be in the same Interest Rate Mode and operate in the same Interest Rate Period, subject to future designations as separate Sub-Series, in which case all Certificates of a Sub-Series shall be in the same Interest Rate Mode and operate in the same Interest Rate Period.

(2) **Maximum Interest Rate.** Interest represented by the Certificates shall not accrue at a rate exceeding the Maximum Interest Rate applicable thereto.

(3) **Fixed Certificates.** The interest represented by the Certificates in the Initial Fixed Period accrues at the rates as set forth in Section 2.3(A). If thereafter converted, the interest represented by the Certificates in a new Fixed Period shall accrue as determined pursuant to Section 2.14. Unless converted prior to the final Certificate Payment Date, the Fixed Period shall extend to the final Certificate Payment Date, and Certificates representing interest accruing at a Fixed Rate may only be converted to another Interest Rate Mode or to a new Fixed Period as permitted by Section 2.15 hereof.

(4) **Daily Certificates, Two Day Certificates, Weekly Certificates, Short-Term Certificates or Long-Term Certificates.** Subject to the further provisions of this Section 2.3 with respect to particular Daily Rates, Two Day Rates, Weekly Rates, Short-Term Rates or Long-Term Rates, or Conversions between Daily Rates, Two Day Rates, or Weekly Rates or to Short-Term Rates or Long-Term Rates, the interest represented by the Certificates during any Daily Period,
Two Day Period, Weekly Period, Short-Term Period or Long-Term Period shall accrue as determined by the Remarketing Agent with respect to the Certificates as provided in this Section 2.3, and notice thereof shall be given as follows:

(a) The interest rate for the Daily Period, Two Day Period, Weekly Period, Short-Term Period or Long-Term Period in question shall be determined by the Remarketing Agent on the date or dates and at the time or times required pursuant to Sections 2.4, 2.5, 2.6, 2.7 or 2.8, as applicable. The interest rate to be determined for the Daily Period, Two Day Period, Weekly Period, Short-Term Period or Long-Term Period shall be the lowest rate of interest that, in the reasonable judgment of the Remarketing Agent, would permit the Certificates in question, assuming the Certificates were all available for sale to investors, to have a purchase price equal to the principal amount thereof under prevailing market conditions and based on the market for and the relative yields of the Certificates and other securities that bear interest at a variable rate, that, in the judgment of the Remarketing Agent, are otherwise comparable to the Certificates, as of the date of determination, except as otherwise provided for Long-Term Rates in Section 2.8.

(b) If the Remarketing Agent fails for any reason to determine the Daily Rate, Two Day Rate, Weekly Rate, Short-Term Rate or Long-Term Rate for any Daily Period, Two Day Period, Weekly Period, Short-Term Period, or Long-Term Period, as applicable, when required hereunder, then the interest represented by such Certificates shall accrue at the interest rate set by the Remarketing Agent for the most recent period for which the interest rate was validly determined by the Remarketing Agent until the interest represented by such Certificates shall accrue at a rate validly determined by the Remarketing Agent, or in the event that a court holds that the Daily Rate, Two Day Rate, Weekly Rate, Short-Term Rate or Long-Term Rate for any Daily Period, Two Day Period, Weekly Period, Short-Term Period or Long-Term Period, respectively, is invalid, illegal or unenforceable, then the interest represented by such Certificates shall accrue at a rate equal to (i) with respect to any Daily Period, Two Day Period, Weekly Period, or Short-Term Period, the lesser of the SIFMA Index or the Maximum Interest Rate, and (ii) with respect to any Long-Term Period, the Maximum Interest Rate, until the interest represented by such Certificates accrues at a rate validly determined by the Remarketing Agent, in each case, so long as no Event of Default shall have occurred and be continuing. If there is no Remarketing Agent when a Remarketing Agent is required pursuant to this Trust Agreement, the interest represented by such Certificates shall accrue at the Maximum Interest Rate and in each case until the interest represented by such Certificate accrues at a rate validly determined by a Remarketing Agent appointed pursuant to Sections 4.14 and 4.15 hereof.

(c) All Daily Certificates, Two Day Certificates, Weekly Certificates and Long-Term Certificates shall represent interest accruing at the same Daily Rate, Two Day Rate, Weekly Rate or Long-Term Rate.

(5) **Flexible Rate Certificates.** The Flexible Rate shall be determined in accordance with Section 2.9 hereof.
(6) **FRN Certificates.** The FRN Rate shall be determined in accordance with Section 2.10 hereof. All FRN Certificates of a Series or Sub-Series shall represent interest accruing at the same FRN Rate.

(7) **VRO Certificates.** The VRO Rate shall be determined in accordance with Section 2.11 hereof. All VRO Certificates shall represent interest accruing at the same VRO Rate, except as otherwise provided in Section 2.11 hereof.

(8) **Window Certificates.** The Window Rate shall be determined in accordance with Section 2.12 hereof. All Window Certificates shall represent interest accruing at the same Window Rate.

(9) **Direct Purchase Certificates.** The Direct Purchase Rate shall be determined in accordance with Section 2.13 hereof. All Direct Purchase Certificates shall represent interest accruing at the same Direct Purchase Rate.

(10) **Bank Certificates.** The Liquidity Facility Rate or Credit Facility Rate, as applicable, shall be determined in accordance with the applicable Liquidity Facility or Credit Facility Agreement.

The Trustee shall be under no obligation (i) to monitor, determine or verify the unavailability or cessation of any index utilized with respect to any Interest Rate Mode, (ii) to select, determine or designate any successor or replacement index, or whether the conditions to the designation of such an index or rate for the Certificates have been satisfied, or (iii) to determine whether or what changes are necessary or advisable, if any, in connection with any of the foregoing. The Trustee shall not be liable for any inability, failure or delay on the part of the Trustee in performing any of its duties set forth in this Trust Agreement as a result of the unavailability of any index utilized with any Interest Rate Mode and designation of a replacement index, including as a result of any inability, delay, error or inaccuracy on the part of the Calculation Agent or Remarketing Agent in providing any direction, instruction, notice, or information required or contemplated by the terms of this Trust Agreement and reasonably required for the performance of such duties.

**Section 2.4. Daily Rates**

(A) **Interest Rate Period.** Whenever Certificates are to represent interest accruing at a Daily Rate, Daily Interest Rate Periods shall commence on each Business Day and shall extend to, but not include, the next succeeding Business Day.

(B) **Effective Period.** The interest rate for each Daily Interest Rate Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day.

(C) **Determination Time.** Each Daily Rate shall be determined by the Remarketing Agent by 10:00 a.m., New York City time, on the commencement date of the Daily Interest Rate Period to which it relates. Notice of each Daily Rate shall be given by the Remarketing Agent to the Trustee, the District, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, by Electronic Notice no less frequently than once each week, and on the Business Day
preceding each Interest Payment Date. The Trustee shall inform the Holders of each Daily Rate determined by the Remarketing Agent upon written request.

Section 2.5. Two Day Rates

(A) Interest Rate Period. Whenever Certificates are to represent interest accruing at a Two Day Rate, Two Day Interest Rate Periods shall commence on the first day of a period during which the Certificates that represent interest accruing at a Two Day Rate and on each Monday, Wednesday and Friday thereafter so long as interest represented by the Certificates is to be payable at a Two Day Rate or, if any Monday, Wednesday or Friday is not a Business Day, on the next Monday, Wednesday or Friday that is a Business Day, and extend to, but not include the next day on which a Two Day Rate is required to be set in accordance with the terms of Section 2.5(C) below.

(B) Effective Period. The Two Day Rate set on any Business Day for each Two Day Interest Rate Period will be effective as of such Business Day and will remain in effect until the next day on which a Two Day Rate is required to be set in accordance with the terms of Section 2.5(C) below.

(C) Determination Time. The Remarketing Agent shall set a Two Day Rate on or before 10:00 a.m., New York City time, on the first day of a period during which the Certificates that represent interest accruing at a Two Day Rate and on each Monday, Wednesday and Friday thereafter so long as interest represented by the Certificates is to be payable at a Two Day Rate or, if any Monday, Wednesday or Friday is not a Business Day, on the next Monday, Wednesday or Friday that is a Business Day. Notice of each Two Day Rate shall be given by the Remarketing Agent to the Trustee and the District, with respect to the Certificates to which such Two Day Rate is applicable, by Electronic Notice not later than 10:30 a.m., New York City time, on the date of determination. The Trustee shall inform the Holders of each Two Day Rate determined by the Remarketing Agent upon written request.

Section 2.6. Weekly Rates

(A) Interest Rate Period. Whenever Certificates are to represent interest accruing at a Weekly Rate, Weekly Interest Rate Periods shall commence on Wednesday of each week and end on Tuesday of the following week; provided, however, that (i) in the case of a Conversion to a Weekly Rate from another Interest Rate Mode, the initial Weekly Interest Rate Period for such Certificates shall commence on the Conversion Date into the Weekly Period and end on the next succeeding Tuesday and (ii) in the case of a Conversion from a Weekly Rate to another Interest Rate Mode, the last Weekly Interest Rate Period prior to Conversion shall end on the last day immediately preceding the applicable Conversion Date.

(B) Effective Period. The interest rate for each Weekly Interest Rate Period shall be effective from and including the commencement date of such Weekly Interest Rate Period and shall remain in effect through and including the last day thereof.

(C) Determination Time. Each Weekly Rate shall be determined by the Remarketing Agent by 5:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of the Weekly Interest Rate Period to which it relates. Notice of each Weekly
Rate shall be given by the Remarketing Agent to the Trustee, the District, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, with respect to the Certificates to which such Weekly Rate is applicable by Electronic Notice not later than 6:00 p.m., New York City time, on the date of determination. The Trustee shall inform the Holders of each Weekly Rate determined by the Remarketing Agent upon written request.

Section 2.7. Short-Term Rates

(A) Interest Rate Period. Whenever Certificates are to represent interest accruing at a Short-Term Rate, each Short-Term Interest Rate Period shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on the Business Day immediately preceding that Short-Term Interest Rate Period which will, in the judgment of the Remarketing Agent, produce the greatest likelihood of the lowest net interest cost during the term of such Short-Term Certificates; provided that each Short-Term Interest Rate Period (i) shall be from 1 to 364 days in length but, if a Credit Facility or a Liquidity Facility is in effect with respect to such Short-Term Certificates, shall not exceed the number of days of interest coverage provided by such Credit Facility or such Liquidity Facility minus five days, shall not extend beyond the date that is five days before the Expiration Date of such Credit Facility or such Liquidity Facility and shall not exceed the number of days remaining prior to the Conversion Date if the Remarketing Agent has given or received notice of any Conversion to a different Interest Rate Mode, and (ii) shall commence on a Business Day (except that in the case of a Conversion to a Short-Term Mode, the initial Short-Term Rate shall commence on the Conversion Date), and (iii) shall end on a day preceding a Business Day or the day preceding the Certificate Payment Date for such Certificates. The Remarketing Agent may, in the reasonable exercise of its judgment, determine one or more Short-Term Interest Rate Periods that result in a Short-Term Rate or Short-Term Rates on Certificates that are higher than would be borne by such Certificates with a shorter Short-Term Interest Rate Period in order to increase the likelihood of achieving the lowest net interest cost during the term of such Short-Term Certificates by providing for a longer Short-Term Interest Rate Period. The determination of each Short-Term Interest Rate Period by the Remarketing Agent shall be based upon the relative market yields of the Short-Term Certificates and other securities that bear interest at a variable rate or at fixed rates that, in the reasonable exercise of the judgment of the Remarketing Agent, are otherwise comparable to the Short-Term Certificates, or any fact or circumstance relating to the Short-Term Certificates or affecting the market for the Short-Term Certificates or affecting such other comparable securities in a manner that, in the reasonable exercise of the judgment of the Remarketing Agent, may affect the market for the Short-Term Certificates. The Remarketing Agent, in its discretion, may consider such information and resources as it deems appropriate in making the determinations described in this paragraph, including consultations with the District, but the Remarketing Agent’s determination of the Short-Term Interest Rate Periods will be based solely upon the reasonable exercise of the Remarketing Agent’s judgment.

(B) Effective Period. The interest rate for each Short-Term Interest Rate Period shall be effective from and including the commencement date of that Interest Rate Period and shall remain in effect through and including the last day thereof.

(C) Short-Term Interest Rate Periods. Short-Term Certificates may represent interest accruing for different Short-Term Interest Rate Periods and at different Short-Term Rates;
provided that all Short-Term Certificates with the same Short-Term Interest Rate Period shall represent interest accruing at the same Short-Term Rate.

(D) **Determination Time.** During each Short-Term Period, each Short-Term Rate shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement of the Short-Term Interest Rate Period to which it relates. Notice of each Short-Term Rate and of each Short-Term Interest Rate Period shall be given by the Remarketing Agent to the Trustee, the District, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, with respect to the Certificates to which such Short-Term Rate or Short-Term Interest Rate Period is applicable, by Electronic Notice not later than 5:00 p.m., New York City time, on the date of determination. The Trustee shall inform the Holders of each Short-Term Rate and each Short-Term Interest Rate Period determined by the Remarketing Agent upon written request.

**Section 2.8. Long-Term Rates**

(A) **Interest Rate Period.** Whenever Certificates are to represent interest accruing at a Long-Term Rate, each Long-Term Interest Rate Period shall commence on a Conversion Date, and end on a day which precedes a Business Day and which is at least 12 months after such Conversion Date and which is the day preceding the earlier of (i) the next succeeding Conversion Date or (ii) the Certificate Payment Date for such Certificates; provided that if a Credit Facility or a Liquidity Facility is in effect with respect to such Certificates, each Long-Term Interest Rate Period shall not extend to a date beyond the fifth day next preceding the Expiration Date of such Credit Facility or Liquidity Facility.

(B) **Effective Period.** The interest rate for each Long-Term Interest Rate Period shall be effective from and including the commencement of that Long-Term Interest Rate Period and shall remain in effect through and including the last day thereof.

(C) **Determination Time.** Each Long-Term Rate and the term of each Long-Term Interest Rate Period shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on or prior to the Business Day immediately preceding the commencement of the Long-Term Interest Rate Period to which it relates.

(D) **Remarketing.** The Long-Term Rate for each Long-Term Interest Rate Period for the Certificates shall be the rate of interest per annum borne by the Certificates which shall be the lowest rate of interest that, in the reasonable judgment of the Remarketing Agent, would permit the Certificates in question, assuming the Certificates were all available for sale to investors, to have a purchase price equal to the principal amount thereof under prevailing market conditions and based on the market for and the relative yields of the Certificates and other securities that bear interest at interest rates, that, in the judgment of the Remarketing Agent, are otherwise comparable to the Certificates, as of the date of determination. Notwithstanding the foregoing, the Long-Term Rate for a Long-Term Interest Rate Period may be the rate of interest per annum determined by the Remarketing Agent to be the interest rate which, if borne by the Certificates, would enable the Remarketing Agent to sell such Certificates on the date and at the time of such determination at a price which will result in the lowest net interest cost for such Certificates, after taking into account any premium or discount at which such Certificates are sold by the Remarketing Agent, provided
that in connection with selling such Certificates at a premium or discount:

(i) The Remarketing Agent certifies to the Authority, the Trustee and the District that the sale of the Certificates at the Long-Term Rate and premium or discount specified by the Remarketing Agent is expected to result in the lowest net interest cost for such Certificates on the commencement date of the Long-Term Interest Rate Period;

(ii) The District consents in writing to the sale of the Certificates by the Remarketing Agent at such premium or discount;

(iii) In the case of Certificates to be sold at a discount, either (a) a Credit Facility or a Liquidity Facility is in effect with respect to the Certificates and provides for the purchase of such Certificates from the tendering Holders at par or (b) the District agrees to transfer to the Trustee on the commencement date of such Long-Term Interest Rate Period, in immediately available funds, for deposit in the District Purchase Account, an amount equal to such discount;

(iv) In the case of Certificates to be sold at a premium, the Remarketing Agent shall transfer remarketing proceeds equal to such premium in accordance with any direction of Special Counsel or, if no such direction is included and no other instructions are received by the Remarketing Agent from Special Counsel related to the use of such premium, then to the Trustee for deposit in the Interest Fund; and

(v) On or before the commencement date of the Long-Term Interest Rate Period, a Favorable Opinion of Special Counsel shall have been delivered.

Section 2.9. Flexible Rates

(A) A Flexible Rate Period for the Certificates in the Flexible Mode shall be of such duration of from one to 270 calendar days, ending on a day preceding a Business Day or the Certificate Payment Date, as the Remarketing Agent shall determine in accordance with the provisions of this Section; provided, however, that no Flexible Rate Period set after delivery by the District of the notice of the intention to effect a Conversion pursuant to Section 2.15 hereof that has been received by the Remarketing Agent shall extend beyond the Mandatory Purchase Date of the Certificates subject to such Conversion. A Flexible Rate Certificate can have a Flexible Rate Period and represent interest accruing at a Flexible Rate, different than another Flexible Rate Certificate. In making the determinations with respect to Flexible Rate Periods, subject to limitations imposed by the second preceding sentence and in Section 2.2 hereof, on each Flexible Rate Determination Date for a Flexible Rate Certificate, the Remarketing Agent, in consultation with the District, shall select for such Certificate the Flexible Rate Period which would result in the Remarketing Agent being able to remarket such Certificate at par in the secondary market at the lowest average interest cost for all Flexible Rate Certificates; provided, however, that if the Remarketing Agent has received notice from the District that the Certificates are to be converted from the Flexible Mode to any other Interest Rate Mode, the Remarketing Agent shall select Flexible Rate Periods which do not extend beyond the resulting applicable Mandatory Purchase Date of the Certificates. The Remarketing Agent shall notify the Trustee in writing of the terms of the Flexible Rate Period and the Certificates affected.
(B) By 1:00 p.m., New York City time, on each Flexible Rate Determination Date, the Remarketing Agent, with respect to each Certificate in the Flexible Mode which is subject to adjustment on such date, shall determine the Flexible Rate Period then selected for such Certificate as described above and shall give notice by Electronic Means to the Trustee and the District, of the Flexible Rate Period, the Mandatory Purchase Date and the Flexible Rate for such Certificate. The Remarketing Agent shall make the Flexible Rate and Flexible Rate Period available after 2:00 p.m., New York City time, on each Flexible Rate Determination Date by telephone or Electronic Means to any Beneficial Owner requesting such information.

Section 2.10. FRN Rates

(A) Interest Rate Period. Whenever Certificates are to represent interest accruing at an FRN Rate, each FRN Period shall commence on the applicable FRN Rate Conversion Date and end on the day immediately preceding the next FRN Rate Mandatory Purchase Date with respect to such FRN Period. At least two (2) Business Days prior to any FRN Rate Conversion Date, the District shall by Electronic Notice to the Trustee, the Remarketing Agent, the Calculation Agent and the Authority (i) select the FRN Index (including any definitions relating thereto), the FRN Index Percentage and the FRN Rate Determination Date, (ii) describe any changes to the definitions of Daily SOFR or Term SOFR (including related definitions), Authorized Denominations, Interest Payment Dates or changes to the interest accrual provisions, the business day convention or the rounding convention, and describe the dates during which such FRN Certificates may be called for optional prepayment in accordance with Section 4.1(E) hereof, and (iii) declare whether such FRN Certificates shall operate as FRN Rate Hard Put Certificates or FRN Rate Soft Put Certificates, and the related FRN Rate Mandatory Purchase Date with respect to such election. At least one Business Day prior to the FRN Rate Conversion Date, the Remarketing Agent shall, prior to 3:00 p.m., New York City time, determine the FRN Spread, and shall give Electronic Notice of such to the Trustee, the District and the Calculation Agent.

(B) Calculation of FRN Rate.

(i) Each FRN Rate for an FRN Interest Rate Period shall be determined by the Calculation Agent (based on the FRN Index, the FRN Spread and the FRN Index Percentage determined as provided above for an FRN Period) by 5:00 p.m., New York City time, on each FRN Rate Determination Date. Each FRN Rate determined on an FRN Rate Determination Date that is based on the SIFMA Index shall be effective on the Thursday immediately following the FRN Rate Determination Date (or the same day if the FRN Rate Determination Date is a Thursday, as described in the definition of “FRN Rate Determination Date” herein) through, and including, the following Wednesday. Each FRN Rate determined on a FRN Rate Determination Date that is based on Daily SOFR, with respect to any Effective Date, shall be effective on such Effective Date up to but excluding the next Effective Date. Each FRN Rate determined on an FRN Rate Determination Date that is based on Term SOFR shall be effective from such FRN Rate Determination Date through, and including, the day immediately preceding the next succeeding FRN Rate Determination Date, unless otherwise provided in the Electronic Notice provided by the District pursuant to Section 2.10(A) hereof. In the case of a Conversion to the FRN Mode or to a new FRN Period, the initial FRN Rate following the Conversion shall apply from the FRN Rate Conversion Date (i) through, and including, the following Wednesday if
such FRN Rate is based on the SIFMA Index or (ii) through, and including, the day immediately preceding the next succeeding FRN Rate Determination Date if such FRN Rate is based on Daily SOFR or Term SOFR, unless otherwise provided in the Electronic Notice provided by the District pursuant to Section 2.10(A) hereof. Notice of each FRN Rate shall be given by the Calculation Agent to the Trustee, the District, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, with respect to the Certificates to which such FRN Rate is applicable, by Electronic Notice not later than 6:00 p.m., New York City time on each FRN Rate Determination Date. The Trustee shall inform the Holders of FRN Certificates of each FRN Rate upon request.

(ii) If the Calculation Agent fails for any reason to determine the FRN Rate for any FRN Interest Rate Period when required hereunder, then the District may engage a new Calculation Agent or request that the Remarketing Agent determine such FRN Rate, provided that such FRN Rate shall be determined within two Business Days of the date originally required hereunder. If after two Business Days, the FRN Rate still has not been determined, then the FRN Rate shall be the FRN Rate most recently set by the Calculation Agent until the FRN Rate is again determined by the Calculation Agent.

Section 2.11. VRO Rates

(A) Determination of Interest Rates During VRO Interest Rate Period.

(i) During each VRO Interest Rate Period, the Certificates shall represent interest accruing at VRO Rates, which shall be determined by the applicable Remarketing Agent on each Business Day during the VRO Interest Rate Period by 6:00 p.m., New York City time for applicability on the following Business Day.

(ii) Each VRO Rate for any day shall be the rate of interest per annum determined by the applicable Remarketing Agent on or before 6:00 p.m., New York City time, on the previous Business Day to be the minimum interest rate which, if borne by Certificates, would enable the applicable Remarketing Agent (assuming all such Certificates were then available for sale and based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to such series of Certificates and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to sell all of such Certificates on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof; provided that the VRO Rate shall not exceed the Maximum Interest Rate. In determining the VRO Rate, the Remarketing Agent shall consider (but not be limited to considering) the following factors in determining prevailing market conditions: existing short term tax-exempt market rates for securities, indices of such short term rates and the existing market supply and demand for securities bearing such short term rates, existing yield curves for short term and long-term securities for securities of issuers of credit quality comparable to the Certificates representing interest accruing at the VRO Rate, general economic conditions, industry economic and financial condition as the Remarketing Agent, in its sole discretion, shall determine to be relevant. The VRO Rate for any day which is not a Business Day shall be the same as the VRO Rate for the immediately preceding Business Day. The determination
of the VRO Rate by the Remarketing Agent shall be conclusive and binding on the Authority, the District, the Trustee and the Certificateholders.

(iii) All of the Certificates in the VRO Interest Rate Period shall at all times represent interest accruing at the same rate of interest.

(iv) If for any reason a VRO Rate is not so established on any Business Day by the applicable Remarketing Agent, the VRO Rate for such Business Day to but excluding the next Business Day shall be the same as the VRO Rate for the immediately preceding Business Day, and such rate shall continue until the earlier of (A) the date on which such Remarketing Agent determines a new VRO Rate for such Certificates or (B) the fifth consecutive Business Day succeeding the first such Business Day on which such VRO Rate is not determined by such Remarketing Agent. In the event that a VRO Rate shall be held to be invalid or unenforceable by a court of law, or the applicable Remarketing Agent fails to determine a new VRO Rate for a period of five consecutive Business Days succeeding such Business Day as described in clause (B) of the immediately preceding sentence, all such Certificates shall represent interest accruing at the VRO Step Up Rate from the applicable Business Day until the Business Day following the date on which a new VRO Rate is established by the Remarketing Agent that is, in any case, valid and enforceable under applicable law.

(B) Optional Tender during VRO Interest Rate Period; Remarketing.

(i) During any VRO Interest Rate Period, the Holder of a Certificate (or, if the book-entry only system described in Section 2.22 hereof is in effect, the participant to whose account such a Certificate is credited) may, at its option, tender such Certificate or any portion thereof in an Authorized Denomination (provided that the amount of any such Certificate not to be purchased shall also be in an Authorized Denomination) for purchase by delivering an irrevocable written notice (a “VRO Interest Rate Period Tender Notice”) to the Trustee and the Remarketing Agent on any Business Day prior to 5:00 p.m., New York City time (the “VRO Interest Rate Period Tender Notice Date”). A VRO Interest Rate Period Tender Notice shall state the principal amount of such Certificates to be purchased (the “VRO Interest Rate Period Designated Amount”). The giving of a VRO Interest Rate Period Tender Notice by a Certificateholder or participant with respect to a Certificate shall constitute an irrevocable tender for purchase of the VRO Interest Rate Period Designated Amount of such Certificates effective on the fifth Business Day following the VRO Interest Rate Period Tender Notice Date (the “VRO Interest Rate Period Purchase Date”); provided, however, that if a VRO Interest Rate Period Tender Notice is not received by the Remarketing Agent prior to 5:00 p.m., New York City time, on any Business Day, the VRO Interest Rate Period Tender Notice Date will be deemed to be the next succeeding Business Day.

(ii) Upon receipt of a VRO Interest Rate Period Tender Notice, the Remarketing Agent shall offer for sale, and use its best efforts to sell, the VRO Interest Rate Period Designated Amount of Certificates in the VRO Rate with respect which a VRO Interest Rate Period Tender Notice has been received by the Remarketing Agent (“VRO Interest Rate Period Tendered Certificates”) at a price equal to par plus unpaid interest accrued
until but excluding the VRO Interest Rate Period Purchase Date (the “VRO Interest Rate Period Purchase Date”) for purchase on the VRO Interest Rate Period Purchase Date.

(iii) If multiple Holders of Certificates deliver VRO Interest Rate Period Tender Notices on different VRO Interest Rate Period Tender Notice Dates, there will be multiple VRO Interest Rate Period Purchase Dates and the Remarketing Agent shall first attempt to remarket VRO Interest Rate Period Tendered Certificates having the earliest VRO Interest Rate Period Purchase Date.

(iv) If the Remarketing Agent successfully remarkets the VRO Interest Rate Period Tendered Certificates by identifying a purchaser for such VRO Interest Rate Period Tendered Certificates during the period beginning on the VRO Interest Rate Period Notice Date for such VRO Interest Rate Period Tendered Certificates and ending on the Business Day immediately preceding the VRO Interest Rate Period Purchase Date for such VRO Interest Rate Period Tendered Certificates (a “VRO Interest Rate Period Remarketing Window”), the Remarketing Agent shall give notice (a “VRO Interest Rate Period Remarketing Notice”) to Holders of such VRO Interest Rate Period Tendered Certificates that a purchaser has been identified for a purchase of such VRO Interest Rate Period Tendered Certificates on the VRO Interest Rate Period Purchase Date.

(v) For payment of the VRO Interest Rate Period Purchase Price on the VRO Interest Rate Period Purchase Date, VRO Interest Rate Period Tendered Certificates which have been successfully remarketed must be delivered at or prior to 11:00 a.m., New York City time, on the VRO Interest Rate Period Purchase Date to the Remarketing Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Remarketing Agent. If VRO Interest Rate Period Tendered Certificates are delivered after that time, the VRO Interest Rate Period Purchase Price will be paid on the Business Day immediately following such delivery.

(C) VRO Interest Rate Period Failed Remarketing Event.

(i) If, for any reason, any VRO Interest Rate Period Tendered Certificates are not successfully remarked during a VRO Interest Rate Period Remarketing Window (a “VRO Interest Rate Period Failed Remarketing Event”), all VRO Interest Rate Period Tendered Certificates shall continue to be owned by their respective Holders and no VRO Interest Rate Period Tendered Certificates shall be tendered or purchased on their respective VRO Interest Rate Period Purchase Dates and such failure shall not constitute an Event of Default. Upon the occurrence of a VRO Interest Rate Period Failed Remarketing Event, (A) the Remarketing Agent shall notify the Trustee and the District, (B) all Certificates in the VRO Interest Rate Period shall become subject to mandatory prepayment on the VRO Interest Rate Period Special Mandatory Prepayment Date, (C) the Remarketing Agent will no longer determine the VRO Rate on a daily basis, and (D) all Certificates in the VRO Interest Rate Period shall represent interest accruing at the VRO Step Up Rate until the earliest to occur of (1) the VRO Interest Rate Period Special Mandatory Prepayment Date, (2) the optional prepayment, at the direction of the District, of all the Certificates in the VRO Interest Rate Period, (3) the date on which all of the Certificates in the VRO Interest Rate Period are successfully remarketed, (4) the
prepayment of each Certificate in the VRO Interest Rate Period, and (5) the date on which a Conversion of the Certificates from the VRO Mode to a different Interest Rate Mode shall occur.

(ii) Following the occurrence of a VRO Interest Rate Period Failed Remarketing Event, the Remarketing Agent shall offer for sale, and use its best efforts to sell, all Certificates in the VRO Interest Rate Period at a price equal to par plus unpaid interest accrued to but excluding the expected VRO Interest Rate Period Remarketing Date (as defined below) (such price, the “VRO Interest Rate Period Remarketing Date Purchase Price”). Upon identifying a purchaser or purchasers for all (but not less than all) of the Certificates (but subject to the immediately following paragraph), the Remarketing Agent shall give a VRO Interest Rate Period Remarketing Notice to the Trustee, the Authority, the District and all Holders of Certificates that a purchaser or purchasers have been identified for the purchase of the Certificates on the date set forth in such VRO Interest Rate Period Remarketing Notice (the “VRO Interest Rate Period Remarketing Date”), which VRO Interest Rate Period Remarketing Date shall be the fifth Business Day following the date of delivery of the VRO Interest Rate Period Remarketing Notice, and all Certificates shall be subject to mandatory tender for purchase at the VRO Interest Rate Period Remarketing Date Purchase Price. Upon receipt, the Trustee shall file or cause to be filed such VRO Interest Rate Period Remarketing Notice with EMMA and DTC.

(iii) For payment of the VRO Interest Rate Period Remarketing Date Purchase Price on the VRO Interest Rate Period Remarketing Date, Holders of all Certificates in the VRO Interest Rate Period must deliver Certificates at or prior to 11:00 a.m., New York City time, on the VRO Interest Rate Period Remarketing Date to the Remarketing Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Remarketing Agent, executed in blank by the Holder thereof or by the Holder’s duly authorized attorney, with such signature guaranteed by a member of the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee. If VRO Interest Rate Period Tendered Certificates are delivered after that time, the VRO Interest Rate Period Remarketing Date Purchase Price will be paid on the immediately following Business Day.

(iv) On the Business Day following the VRO Interest Rate Period Remarketing Date, the Remarketing Agent shall resume resetting the rate at which the interest represented by such Certificates accrues pursuant to the provisions set forth in the Certificates as described in Section 2.11(A) above and the Certificates will no longer be subject to mandatory prepayment on the VRO Interest Rate Period Special Mandatory Prepayment Date.

Section 2.12. Window Rates

(A) Interest Rate Period. Whenever Certificates are to represent interest accruing at a Window Rate, each Window Rate shall be in effect for each Window Interest Rate Period, which shall commence on and include Thursday and end on and include the next succeeding Wednesday, unless such Window Interest Rate Period ends on a day other than Wednesday, in which event the last Window Rate for such Window Interest Rate Period will apply to the Window Interest Rate
Period commencing on and including the Thursday preceding the last day of such Window Interest Rate Period and ending on and including the last day of such Window Interest Rate Period; provided, however, that in the case of a Conversion to a Window Mode from another Interest Rate Mode, the initial Window Interest Rate Period for the Certificates shall commence on the such Conversion Date.

(B) Calculation of Window Rate. Each Window Rate shall be determined by the Calculation Agent by 4:00 p.m., New York City time, on the applicable Window Rate Determination Date, which Window Rate shall be equal to the SIFMA Index on such Window Rate Determination Date plus the Window Rate Spread. The Calculation Agent shall furnish each Window Rate so determined to the Trustee, the Remarketing Agent, the District, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, by Electronic Notice no later than the Business Day next succeeding the date of determination.

The sum of the SIFMA Index plus the Initial Window Rate Spread shall be equal to the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Certificates and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Window Certificates, would enable the Remarketing Agent to sell all of such Certificates on the applicable Conversion Date at a price equal to the principal amount thereof. During a Window Period with respect to the Certificates, the Remarketing Agent may (i) with the consent of the District, increase the Window Rate Spread with respect to such Certificates effective as of any Window Rate Optional Purchase Date, any District Elective Purchase Date or any Window Rate Mandatory Purchase Date, or (ii) reduce the Window Rate Spread effective as of any District Elective Purchase Date or any Window Rate Mandatory Purchase Date. The sum of the SIFMA Index plus the revised Window Rate Spread shall be equal to the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Certificates and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Window Certificates, would enable the Remarketing Agent to sell all of such Certificates on the effective date of the revised Window Rate Spread at a price equal to the principal amount thereof. A revised Window Rate Spread shall apply to all Certificates representing interest accruing at a Window Rate as of the effective date of the revised Window Rate Spread.

The Remarketing Agent shall give Electronic Notice of the revised Window Rate Spread to the Trustee not later than the second Business Day after the effective date of such revised Window Rate Spread. At the sole cost of the District, the Trustee shall give notice of such revised Window Rate Spread by Electronic Notice, confirmed by first class mail, to the Holders, with a copy to the District, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, not later than the second Business Day after receiving notice of such Window Rate Spread from the Remarketing Agent. If a court holds that the Window Rate set for any Window Interest Rate Period is invalid, illegal or unenforceable or if the SIFMA Index is not available for any week, the Window Rate for such Window Interest Rate Period shall be determined by the Remarketing Agent and shall be equal to a rate per annum equal to 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on such Window Rate Determination Date, plus the Window Rate Spread. The
SIFMA Index shall be used in the calculation of the Window Rate Spread whenever the SIFMA Index is available.

Section 2.13. Direct Purchase Rates

(A) Determination of Direct Purchase Rates. During each Direct Purchase Period with respect to the Certificates, the Certificates shall represent interest accruing at the Direct Purchase Rate. For any Direct Purchase Period, interest represented by the Certificates shall be payable on each Interest Payment Date for each applicable Interest Accrual Period commencing on the Interest Accrual Date preceding such Interest Payment Date. For any Direct Purchase Period, the Direct Purchase Rate shall be determined by utilizing the Applicable Spread, the Applicable Factor and the Direct Purchase Index for such Direct Purchase Period, all in a manner determined by the Direct Purchaser or the Market Agent prior to the Conversion to any Direct Purchase Period or as otherwise set forth in a Supplemental Trust Agreement or in the applicable Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to this Section 2.13 (the Direct Purchase Rate, unless otherwise established in a Supplemental Trust Agreement or in a Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to this Section 2.13, to be the sum of (i) the Applicable Factor multiplied by the Direct Purchase Index plus (ii) the Applicable Spread, per annum). If required by a Supplemental Trust Agreement or in a Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to this Section 2.13 during an Event of Default the Certificates in a Direct Purchase Period shall represent interest accruing at the Default Rate. Additionally, if required by a Supplemental Trust Agreement or in a Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to this Section 2.13 following a Determination of Taxability the Certificates in a Direct Purchase Period shall represent interest accruing at a Taxable Rate (as defined in a Supplemental Trust Agreement or a Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to this Section 2.13). The Calculation Agent shall determine the Direct Purchase Rate on each Direct Purchase Rate Determination Date to become effective on the immediately succeeding Index Reset Date during the Direct Purchase Period, and interest shall accrue at such rate for each day during the Interest Accrual Period commencing on the Index Reset Date. The Direct Purchase Rate shall be rounded, if necessary, to the third decimal place unless otherwise provided in a Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to this Section 2.13. For each Direct Purchase Period, prior to the commencement of such Direct Purchase Period, the Direct Purchaser or the Market Agent shall also determine the Direct Purchase Period, the Interest Accrual Period, the Direct Purchase Rate Mandatory Purchase Date, and the Direct Purchase Period Earliest Prepayment Date (if applicable). During each Direct Purchase Period, the Direct Purchase Certificates shall be subject to optional prepayment as provided in Section 4.1(H) hereof.

(B) Conversion to Direct Purchase Period. Subject to Section 2.15 below, at any time, the District, by Electronic Notice to the Trustee, the Credit Facility Provider, if any, the Liquidity Facility Provider, if any, and the Remarketing Agent, may direct that all, but not less than all, Certificates shall be converted to represent interest accruing at a Direct Purchase Rate. Such direction of the District shall specify the proposed Conversion Date, which shall be a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction. In addition, such direction shall be accompanied by a letter of Special Counsel that it expects to be able to render a Favorable Opinion of Special Counsel on the proposed Conversion Date. In
addition, such direction shall specify the duration of the Direct Purchase Period immediately following the proposed Conversion Date.

(C) Notice of Conversion to Direct Purchase Mode. The Trustee shall give notice of a Conversion to a Direct Purchase Mode to the Holders of the Certificates in accordance with Section 2.15(F)(iii) hereof.

(D) Direct Purchase Certificates; Trust Agreement Provisions. The following shall apply during each Direct Purchase Period:

(i) The Direct Purchase Certificates shall be in Authorized Denominations.

(ii) Nothing in this Trust Agreement, in the Purchase Agreement or in the Sale Agreement to the contrary withstanding, the parties hereto acknowledge, pursuant to Section 2.2(F) hereof, that unless the Direct Purchaser gives a written direction otherwise, all payments with respect to the Direct Purchase Certificates are to be made directly by the District to the Direct Purchaser for so long as it is the Holder of all of the Direct Purchase Certificates; provided that failure of the Direct Purchaser to provide such notice shall not affect the obligations of the District to pay such amounts pursuant to the terms of this Trust Agreement, the Purchase Agreement and Sale Agreement.

(iii) The Direct Purchase Certificates shall be registered in the name of the Direct Purchaser, and shall not have a CUSIP number assigned thereto (unless the Direct Purchaser consents thereto or directs that the Certificates be in book-entry form), and shall not be held under a Securities Depository system, including but not limited to the book-entry only system of DTC and (unless the Direct Purchaser consents thereto or directs that the Certificates be in book-entry form) shall not be registered in the name of “Cede & Co.” or otherwise be DTC eligible. The Direct Purchase Certificates, without the prior written consent of the Direct Purchaser, shall not be rated by any Rating Agency and shall not be marketed during any period in which the Direct Purchase Certificates are held by the Direct Purchaser pursuant to any official statement, offering memorandum or any other disclosure documentation (other than in connection with any Conversion to an Interest Rate Mode other than a Direct Purchase Mode).

(iv) Unless otherwise directed by the Direct Purchaser, the District shall cause physical delivery of the Direct Purchase Certificates to the Direct Purchaser in the form attached hereto as Exhibit A. Each Certificate bearing interest at the Direct Purchase Rate shall contain a legend indicating that the transferability of such Certificate is subject to the restrictions set forth in this Trust Agreement.

(v) No modifications or amendments to, or waivers of, the terms of the Direct Purchase Certificates, this Trust Agreement, the Certificateholder Agreement, or any related documents, by the Direct Purchaser shall be made or granted without the delivery of a Favorable Opinion of Special Counsel.

(vi) As provided in Section 7.12 hereof, and subject to the provisions of the Master Indenture, during any period when the Direct Purchase Certificates are in the Direct Purchase Mode, the Direct Purchaser, as the sole Holder of such Direct Purchase
Certificates, shall have the right to enforce the rights and remedies provided to the Trustee hereunder and to control all proceedings relating to the exercise of such rights and remedies in its own name and not subject to the restrictions contained herein.

**Section 2.14. Fixed Rates**

(A) **Interest Rate Period.** Interest represented by the Certificates in the Initial Fixed Period shall be effective from the Certificate Delivery Date to their Certificate Payment Date or until the Fixed Rate Conversion Date, if any. Thereafter, whenever Certificates are to represent interest accruing at a Fixed Rate, the Fixed Rate shall commence on a Fixed Rate Conversion Date and any Fixed Period shall extend to the Certificate Payment Date subject to the ability of the District to designate a Conversion Date for such Fixed Certificates pursuant to the provisions of Section 2.15 below.

(B) **Determination Time.** The Fixed Rates on the Certificates in the Initial Fixed Period is set forth in Section 2.3(A) hereof. Thereafter, in a Fixed Period, each Fixed Rate shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on or before the Business Day immediately preceding the Fixed Rate Conversion Date. Notice of each Fixed Rate shall be given by the Remarketing Agent to the Trustee and the District by Electronic Notice not later than 5:00 p.m., New York City time, on the date of determination. The Trustee shall inform the Holders of each Fixed Rate determined by the Remarketing Agent upon request of any such Holder.

(C) **Remarketing.** Other than the Initial Fixed Period, the Fixed Rate for the Certificates in a Fixed Period shall be the rate or rates of interest per annum borne by the Certificates which shall be the lowest rate or rates of interest that, in the judgment of the Remarketing Agent, would cause such Certificates to have a purchase price equal to the principal amount thereof plus accrued interest, if any, under prevailing market conditions as of the date of determination. Notwithstanding the foregoing, the Fixed Rate may be the rate of interest per annum determined by the Remarketing Agent to be the interest rate which, if borne by the Certificates, would enable the Remarketing Agent to sell such Certificates on the date and at the time of such determination at a price which will result in the lowest net interest cost for such Certificates, after taking into account any premium or discount at which such Certificates are sold by the Remarketing Agent; provided that in connection with selling such Certificates at a premium or discount:

(i) The Remarketing Agent certifies to the Authority, the Trustee and the District that the sale of the Certificates at the Fixed Rate and premium or discount specified by the Remarketing Agent is expected to result in the lowest net interest cost for such Certificates on the commencement date of the Fixed Period;

(ii) The District consents in writing to the sale of the Certificates by the Remarketing Agent at such premium or discount;

(iii) In the case of Certificates to be sold at a discount, either (A) a Credit Facility or a Liquidity Facility is in effect with respect to the Certificates at the time of the Fixed Rate Conversion Date and provides for the purchase of such Certificates from the tendering Holders at par or (B) if no Credit Facility or Liquidity Facility is in effect with respect to the Certificates at the time of the Fixed Rate Conversion Date, the District agrees to transfer
to the Trustee on the Fixed Rate Conversion Date, in immediately available funds, for deposit in the District Purchase Account, an amount equal to such discount;

(iv) In the case of Certificates to be sold at a premium, the Remarketing Agent shall transfer remarketing proceeds equal to such premium in accordance with any direction of Special Counsel or, if no such direction is included and no other instructions are received by the Remarketing Agent from Special Counsel related to the use of such premium, then to the Trustee for deposit in the Revenue Fund; and

(v) On or before the Fixed Rate Conversion Date, a Favorable Opinion of Special Counsel shall have been delivered.

Section 2.15. Conversions

(A) In the event that the District shall elect to convert the accrual of interest represented by the Certificates (or, a portion of the Certificates) to another Interest Rate Mode, then the written Conversion direction furnished by the District shall be made by Electronic Notice. Notwithstanding anything in this Trust Agreement to the contrary, any such Conversion may be with respect to all or a portion of the Certificates. Any Certificates to be converted in part shall be selected randomly, and the portion of the Certificates to be converted shall be re-designated as a new Sub-Series to distinguish such portion from the portion of Certificates not to be converted. All references herein to any Conversion of Certificates shall refer to the portion of Certificates that is subject to Conversion in the event that less than all of such Certificates are subject to Conversion. The following shall constitute a Conversion for purposes of this Section 2.15: (i) a conversion from any Direct Purchase Period to a new Direct Purchase Period; (ii) a conversion from one FRN Period to a new FRN Period; (iii) a conversion from one Fixed Period to a new Fixed Period; (iv) a conversion from any Short-Term Interest Rate Period to a new Short-Term Interest Rate Period; (v) a conversion from any Long-Term Interest Rate Period to a new Long-Term Interest Rate Period; and (vi) conversion from any Interest Rate Mode to a different Interest Rate Mode.

(B) Notwithstanding anything in this Article II, in connection with any proposed Conversion of Certificates (or a portion of the Certificates, as applicable) on a Purchase Date that is not otherwise a Mandatory Purchase Date, the District shall have the right to deliver to the Trustee, the Authority, the Remarketing Agent, if any, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, on or prior to 10:00 a.m., New York City time, on the second Business Day prior to the proposed effective date of any such Conversion or prior to the date on which the interest rate for the new Interest Rate Mode is to be determined, whichever is earlier, a notice to the effect that the District elects to rescind its election to implement any such Conversion. If the District rescinds its election to implement any such Conversion, then such Conversion shall not occur, the mandatory tender shall not occur (unless such proposed Conversion Date is also a Mandatory Purchase Date pursuant to Sections 4.7(A)(ii), (iii), (iv), (v), (vi), (vii) (viii), (ix) and (x) hereof), and, except as otherwise provided herein, the Certificates shall continue to represent interest accruing in the current Interest Rate Mode and the current interest rate in effect immediately prior to such proposed Conversion Date.
(C) No Conversion shall take effect under this Trust Agreement unless each of the following conditions and the conditions set forth in paragraph (f) of this Section 2.15, to the extent applicable, shall have been satisfied.

(i) In the case of any Conversion with respect to which there shall be no Liquidity Facility or Credit Facility in effect to provide funds for the purchase of Certificates to be converted on the Conversion Date, the remarketing proceeds and funds in the District Purchase Account and available on the Conversion Date shall not be less than the amount required to purchase all of the Certificates to be converted at the applicable Purchase Price.

(ii) In the case of any Conversion of Certificates to any Interest Rate Mode (except a Direct Purchase Mode), prior to the Conversion Date the District shall have appointed a Remarketing Agent and there shall have been executed and delivered a Remarketing Agreement.

(iii) If such Conversion is with respect to less than all of the Certificates, the Certificates shall be designated as separate Sub-Series as provided in Section 2.1 hereof.

(D) If, on a Conversion Date, any condition precedent to a proposed Conversion shall not have been satisfied, then such Conversion shall not occur and the Certificates or portion thereof to have been converted shall continue to represent interest accruing in the current Interest Rate Mode and at the current interest rate as in effect immediately prior to such proposed Conversion Date, and the Certificates or portion thereof, subject to and unless otherwise provided in Section 4.18 hereof, shall not be subject to mandatory tender for purchase on the proposed Conversion Date, unless such proposed Conversion Date is also a Mandatory Purchase Date pursuant to Sections 4.7(A)(ii), (iii), (iv), (v), (vi), (vii), (viii), (ix) and (x) hereof.

(E) Notwithstanding anything in this Article II to the contrary, in connection with any Conversion that would require the mandatory tender for purchase of Certificates at a Purchase Price greater than the principal amount thereof, the District, as a condition to implementing such Conversion, shall deliver to the Trustee on or prior to the Conversion Date, immediately available funds for the purpose of paying such premium; provided however, if a Liquidity Facility or Credit Facility is then in effect with respect to such Certificates either (A) such Liquidity Facility or Credit Facility must provide for the payment of such premium on such Conversion Date, or (B) such premium shall be paid with Eligible Moneys on such Conversion Date.

(F) The Certificates may be converted in whole or in part in Authorized Denominations. Any Certificates subject to such Conversion may be assigned a new CUSIP number and shall be designated or numbered to distinguish each Sub-Series of Certificates from another Sub-Series. Certificates may be converted as follows:

(i) Conversion Date. Subject to the following provisions of this paragraph, all Conversion Dates may only occur on any date on which such Certificates are subject to optional prepayment pursuant to Section 4.1(B), (C), (D), (E), (F), (G) or (H), as applicable; provided, however, that (a) for a Conversion of Long-Term Certificates, such Conversion shall only occur on a Long-Term Rate Mandatory Purchase Date on which such Long-
Term Certificates are subject to purchase pursuant to Section 4.7(A)(iii) or on any date when the Long-Term Certificates are subject to optional prepayment pursuant to Section 4.1(G) hereof, (b) for a Conversion of FRN Certificates such Conversion shall only occur on an FRN Rate Mandatory Purchase Date on which such FRN Certificates are subject to purchase pursuant to Section 4.7(A)(v) hereof or any date such FRN Certificates are subject to optional prepayment pursuant to Section 4.1(E), and (c) for a Conversion of Direct Purchase Certificates, such Conversion shall only occur on a date on which such Direct Purchase Certificates are subject to optional prepayment pursuant to Section 4.1(H) or on a Direct Purchase Rate Mandatory Purchase Date pursuant to Section 4.7(A)(ix) or on any other date specified in a Supplemental Trust Agreement or in a Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof. Interest shall accrue on such Certificates at the new interest rate commencing on such Conversion Date, whether or not a Business Day. Any action required to be taken on such Conversion Date, if such day is not a Business Day, may be taken on the next succeeding Business Day as if it had occurred on such Conversion Date.

(ii) Notice of Intent to Convert. The District shall give written notice of its intent to exercise its option to implement any such Conversion to the Authority, the Remarketing Agent, the Trustee, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, with respect to the affected Certificates by Electronic Notice not fewer than two Business Days (or such shorter period as shall be acceptable to the applicable parties) prior to the date on which the Trustee is required to provide notice of Conversion to the Holders. Such notice shall specify the proposed Conversion Date (as well as the Sub-Series of Certificates to which the Conversion will be applicable).

(iii) Notice of Conversion and Mandatory Tender. Not fewer than 15 days (or for any Conversion of Fixed Certificates, not fewer than 20 days) prior to the proposed Conversion Date, the Trustee shall give Electronic Notice, confirmed by first class mail, of the Conversion and, if applicable, of the mandatory tender of such Certificates to the Holders of such Certificates at their addresses as they appear on the Registration Books as of the date Electronic Notice of the election is received by the Trustee from the District. If the District rescinds the Conversion, the Trustee shall give Electronic Notice, confirmed by first class mail, on the Business Day next succeeding receipt of the notice of rescission to the Holders of such Certificates at their addresses as they appear on the Registration Books as of the date Electronic Notice of the rescission is received by the Trustee from the District.

(iv) Favorable Opinion of Special Counsel. Any Conversion pursuant to this Section 2.15 shall be subject to the conditions that, on or before the Conversion Date, there shall have been delivered a Favorable Opinion of Special Counsel.

(v) Conditions to Conversion. Notwithstanding the District’s delivery of notice of the exercise of its option to effect a Conversion, such Conversion shall not take effect if:

(a) the District withdraws such notice of the exercise of its option to effect Conversion not later than the date as provided by Section 2.15(B) hereof or
the date on which the interest rate for the new Interest Rate Mode or Interest Rate Period, as applicable, is to be determined, if permitted by Section 2.15(B);

(b) the Remarketing Agent fails to determine, when required, the interest rate for the new Interest Rate Mode or Interest Rate Period, as applicable;

(c) the notice to Holders of Certificates of the Conversion is not given when required;

(d) the District fails to deliver a Favorable Opinion of Special Counsel referred to above;

(e) sufficient funds are not available by 2:00 p.m., New York City time, on the Conversion Date to purchase all of the Certificates required to be purchased on such Conversion Date; or

(f) in the case of Conversion from a Window Period or from a Fixed Period, not all of the Certificates are remarketed in the new Interest Rate Mode or Interest Rate Period, as applicable, on the applicable Conversion Date.

(vi) **Serialization Upon Fixed Rate Conversion.** All Certificates shall have the same Certificate Payment Date and represent interest accruing at the same Fixed Rate on and after the Fixed Rate Conversion Date, unless on the date the Remarketing Agent determines the Fixed Rate, the Remarketing Agent also determines that such Certificates would bear a lower effective net interest cost if such Certificates were Serial Certificates, Term Certificates or a combination of Serial Certificates and Term Certificates with the Certificate Payment Dates (or Mandatory Sinking Account Payment) and principal amounts matching the Mandatory Sinking Account Payment in effect prior to such Fixed Rate Conversion Date, in which event such Certificates shall become Serial Certificates, Term Certificates, or a combination of Serial Certificates and Term Certificates with such Certificate Payment Dates (or Mandatory Sinking Account Payment) and principal amounts and may bear separate Fixed Rates for each Certificate Payment Date. Notwithstanding the foregoing, the District may deliver to the Trustee a schedule of revised Certificate Payment Dates and principal component amounts, including Mandatory Sinking Account Payment, for the Certificates then being converted to the Fixed Mode; provided that such schedule be accompanied by a Favorable Opinion of Special Counsel.

(vii) **Changes to Serial Certificate Payment Dates in Connection with a Conversion from the Fixed Mode.** Upon the Conversion of the Certificates from the Fixed Mode, the Certificate Payment Date for any Serial Certificates shall become [final maturity] and principal amounts of such Serial Certificates while operating in the prior Fixed Mode shall become Mandatory Sinking Account Payment. All existing Mandatory Sinking Account Payments shall remain in effect and any Term Certificate installment (other than the installment due on the final Certificate Payment Date) shall become a Mandatory Sinking Account Payment. The final Certificate Payment Date of the Certificates and the amount of principal due on such final Certificate Payment Date will not be changed. Notwithstanding the foregoing, the District may deliver to the Trustee a
schedule of revised Certificate Payment Dates and amounts then due and payable, including Mandatory Sinking Account Payments, for the Certificates then being converted from the Fixed Mode; provided that such schedule be accompanied by a Favorable Opinion of Special Counsel.

Section 2.16. Execution of Certificates. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee.

Section 2.17. Transfer of Certificates. Subject to the provisions of Section 2.22, any Certificate may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.19, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee.

Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates having the same stated Certificate Payment Date for a like aggregate principal amount and of Authorized Denominations. The Trustee shall pay no costs whatsoever relating to any transfer and shall require the Certificateholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and the Trustee may also require the Certificateholder requesting such transfer to pay a reasonable sum to cover expenses incurred by the Trustee or the Authority in connection with such transfer. The Trustee shall not be required to transfer (i) any Certificate during the fifteen (15) days next preceding the date on which notice of prepayment of Certificates is given, or (ii) any Certificate called for prepayment.

Direct Purchase Certificates may be transferred without limitation to any affiliate of the Direct Purchaser or to a trust or custodial arrangement established by the Direct Purchaser, each of the Holders of which is the Direct Purchaser or an affiliate of the Direct Purchaser subject to the limitations, if any, set forth in the Certificateholder Agreement. Direct Purchase Certificates may be transferred to such purchaser (other than an affiliate of the Direct Purchaser or a trust or custodial arrangement as described in the preceding sentence) if written notice of such transfer, together with addresses and related information with respect to such purchaser, is delivered to the District and the Trustee by such transferor; provided that each such purchaser shall constitute (a) a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act, or (b) an “accredited investor” as defined in Rule 501 of Regulation D of the Securities Act or (c) a trust or other custodial arrangement established by the purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act or “accredited investors” as defined in Rule 501 of Regulation D of the Securities Act. Additionally, the transferability of Direct Purchase Certificates shall be subject to any further restrictions set forth in the applicable Certificateholder Agreement. The Trustee has no duty or obligation to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Trust Agreement, any related agreement or under applicable law with respect to any transfer of any interest in any Certificate other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Trust Agreement, and to examine the same to determine substantial compliance as to form with the express requirements hereof and to
confirm whether or not the requirements set forth above have been satisfied in connection with any transfer of the Certificates. Each Holder of a Certificate agrees to indemnify the Authority and the Trustee against any liability that may result from the exchange or assignment of such Holder's Certificate in violation of any provision of this Trust Agreement, any other related agreement and/or applicable United States federal or state securities law.

The Trustee shall not be required to (a) transfer or exchange any Certificate (other than a Certificate tendered for purchase under Section 4.6, 4.7, 4.8 or 4.9 hereof) during a period beginning 15 days before the day of the mailing of a notice of prepayment of such Certificate and ending at the close of business on the day of such mailing, or (b) transfer or exchange any Certificate so selected for prepayment in whole or in part, during a period beginning at the opening of business on any Record Date for such Certificates and ending at the close of business on the relevant Interest Payment Date therefor.

**Section 2.18. Exchange of Certificates.** Certificates may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Certificates of other Authorized Denominations. The Trustee shall pay no costs whatsoever relating to any exchange and shall require the Certificateholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange, and the Trustee may also require the Certificateholder requesting such exchange to pay a reasonable sum to cover expenses incurred by the Trustee or the Authority in connection with such exchange. The Trustee shall not be required to exchange (i) any Certificate during the fifteen (15) days next preceding the date on which notice of prepayment of Certificates is given or (ii) any Certificate called for prepayment. The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on exchange imposed under this Trust Agreement, any related agreement or under applicable law with respect to any exchange of any interest in any Certificate (other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Trust Agreement, and to examine the same to determine substantial compliance as to form with the express requirements hereof. Each Holder of a Certificate agrees to indemnify the Authority and the Trustee against any liability that may result from the exchange or assignment of such Holder's Certificate in violation of any provision of this Trust Agreement, any other related agreement and/or applicable United States federal or state securities law.

**Section 2.19. Certificate Register.** The Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Certificates, which shall at all times (during regular business hours at the location where such books are kept) be open to inspection by any Certificateholder or his agent duly authorized in writing or the District or the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Certificates as hereinbefore provided.

**Section 2.20. Temporary Certificates.** The Certificates may be executed and delivered in temporary form exchangeable for definitive Certificates when ready for delivery. Any temporary Certificate may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Trustee, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Trust Agreement as may be appropriate.
Every temporary Certificate shall be executed by the Trustee upon the same conditions and in substantially the same manner as the definitive Certificates. If the Trustee executes temporary Certificates, the Trustee will execute and deliver definitive Certificates as promptly thereafter as practicable, and thereupon the temporary Certificates shall be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee, and the Trustee shall execute and deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of Authorized Denominations. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under this Trust Agreement as definitive Certificates executed and delivered hereunder.

Section 2.21. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Holder of said Certificate, shall execute and deliver, a new Certificate of like tenor in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be cancelled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Trustee, at the expense of the Holder, shall execute and deliver, a new Certificate of like tenor in lieu of and in substitution for the Certificate so lost, destroyed or stolen (or if any such Certificate shall have matured, instead of issuing a substitute Certificate, the Trustee may pay the same without surrender thereof). The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered under this Section and of the expenses which may be incurred by the Authority and the Trustee in complying with this Section. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, and both the original and replacement Certificate shall be treated as one and the same.

Section 2.22. Use of Securities Depository.

(A) The Certificates shall be initially executed and delivered as provided in Section 2.2. Registered ownership of the Certificates, or any portion thereof, may not thereafter be transferred except: (i) to any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (ii) of this subsection (A) (“substitute depository”); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository designated by the Authority (at the written direction of the District) and not objected to by the Trustee, upon (1) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (2) a determination by the Authority (at the written direction of the District) that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or (iii) to any Person as provided below, upon (1) the resignation of the Securities Depository or its successor (or substitute depository or
its successor) from its functions as depository; provided that no substitute depository which is not objected to by the Trustee can be obtained or (2) a determination by the Authority (with the concurrence of the District) that it is in the best interests of the Authority to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (A) hereof, upon receipt of the Outstanding Certificates by the Trustee, together with a Certificate of the Authority to the Trustee, a single new Certificate for each Certificate Payment Date and interest rate shall be executed and delivered in the aggregate principal amount of the Certificates then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the Authority. In the case of any transfer pursuant to clause (iii) of subsection (A) hereof, upon receipt of the Outstanding Certificates by the Trustee together with a Certificate of the Authority to the Trustee, new Certificates shall be executed and delivered in such denominations numbered in consecutive order and registered in the names of such Persons as are requested in such a Certificate of the Authority, subject to the limitations of Section 2.2 hereof, provided the Trustee shall not be required to deliver such new Certificates within a period less than sixty (60) days from the date of receipt of such a Certificate of the Authority.

(C) In the case of partial prepayment of the Certificates evidencing all or a portion of the principal amount Outstanding, the Securities Depository shall make an appropriate notation on the Certificates indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

(D) The Authority, the Trustee and the District shall be entitled to treat the Person in whose name any Certificate is registered as the Holder thereof for all purposes of this Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee, the Authority or the District; and the Authority, the District and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any Beneficial Owners of the Certificates. Neither the Authority, the District nor the Trustee will have any responsibility or obligations, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute depository or its successor), except for the Holder of any Certificate.

(E) So long as the Outstanding Certificates are registered in the name of Cede & Co. or its registered assign, the Authority, the District and the Trustee shall cooperate with Cede & Co., as sole registered Holder, and its registered assigns in effecting payment of the principal of and prepayment premium, if any, and interest represented by the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due, all in accordance with the letter of representations entered into by the Authority with the Securities Depository or as otherwise agreed by the Trustee and the Securities Depository.

(F) Notwithstanding any provision of this Trust Agreement to the contrary, but subject to Section 2.13(D) hereof, during the Direct Purchase Period, the Certificates shall be in definitive
Section 2.23. **Successor Securities Depository; Transfers Outside Book-Entry Only System**. In the event that (a) the Trustee determines (with the Authority’s consent) that DTC is incapable of discharging its responsibilities described herein and in the Blanket Issuer Letter of Representations between the Authority and DTC (the “Letter of Representations”), (b) the Letter of Representations shall be terminated for any reason or (c) the District determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Trustee or the Authority shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC participants of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor securities depository or (ii) notify DTC of the availability through DTC of Certificates and transfer one or more separate Certificates to DTC participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered on the Registration Books in the name of Cede & Co., as nominee of DTC but may be registered in the name of the successor security depository, or its nominee, in whatever name or names registered owners of Certificates transferring or exchanging Certificates shall designate, in accordance with the provisions hereof. In connection with any proposed transfer outside the book-entry only system, the District or DTC shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Internal Revenue Code of 1986. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 2.24. **Calculation Agent**.

(A) The District shall appoint a Calculation Agent for the Certificates when the Certificates are converted to an Interest Rate Mode requiring a Calculation Agent, subject to the conditions set forth below. Any Calculation Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority, the District and the Trustee in which the Calculation Agent will agree to perform all calculations and provide all notices required of the Calculation Agent under this Trust Agreement.

(B) The Calculation Agent may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving at least 60 days' notice to the Authority, the District, the Trustee, the Remarketing Agent, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any. Upon receipt of such notice, during any Interest Rate Period in which the services of a Calculation Agent are required under this Trust Agreement, the District has agreed in the Sale Agreement to diligently seek to appoint a successor Calculation Agent to assume the duties of the Calculation Agent on the effective date of the prior Calculation Agent's resignation. During the pendency of the District appointing a new Calculation Agent, the District shall itself act as Calculation Agent, and service in such case shall commence on the effective date of the resignation of the prior Calculation Agent and to remain in effect until a successor Calculation Agent assumes such position in accordance with the provisions hereof. The Calculation Agent
may be removed at any time by written notice from the District to the Authority, the Trustee, the Credit Facility Provider, if any, the Liquidity Facility Provider, if any, and the Remarketing Agent, provided that such removal shall not be effective until a successor Calculation Agent assumes such position in accordance with the provisions hereof.

(C) The Trustee shall, within 30 days of the resignation or removal of the Calculation Agent or the appointment of a successor Calculation Agent, give notice thereof by Electronic Notice, confirmed by first class mail, to the registered owners of the Certificates.

(D) Promptly after determining any interest rate required to be determined by the Calculation Agent under this Trust Agreement, the Calculation Agent shall provide Electronic Notice to the Trustee, the Remarketing Agent and any requesting Holder who has provided it with appropriate notice address.

ARTICLE III
DELIVERY OF CERTIFICATES; APPLICATION OF PROCEEDS

Section 3.1. Delivery of Certificates. The Trustee is hereby authorized to execute and deliver the Certificates in the aggregate principal amount of [par in words] dollars ($[PAR]), upon Request of the Authority and the District.

Section 3.2. Application of Proceeds of Certificates. The proceeds received from the sale of the Certificates ($[___] equal to the aggregate principal amount of $[PAR], [plus/less [net] original issue premium/discount] of $[___]), [together with an equity contribution of $[___] from the District,] shall be deposited in trust with the Trustee, who shall forthwith deposit such proceeds as follows:[TO BE UPDATED]

(A) The Trustee shall transfer $[___] to the Escrow Agent for application in accordance with the Escrow Agreement.

(B) The Trustee shall deposit in the Costs of Delivery Fund the sum of $[___], comprising $[___] from the proceeds of the sale of the Certificate [and $[___] from the District’s equity contribution].

(C) The Trustee shall deposit in the Project Fund the sum of $[___], following which the Trustee shall transfer $[___] to the District as reimbursement for certain costs of the Project in accordance with wire instructions pursuant to a flow of funds memorandum, dated the Certificate Delivery Date.

(D) [deposit into capitalized interest account]

(E) [payments related to swap termination]

(F) [The Trustee shall deposit in the Reserve Fund the sum of $[___], which amount shall equal the Reserve Fund Requirement.]
Section 3.3. Establishment and Application of Costs of Delivery Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Delivery Fund.” Moneys deposited in the Costs of Delivery Fund shall be used to pay Costs of Delivery with respect to the Certificates upon receipt by the Trustee of a Requisition of the Authorized Representative of the District, which Requisition of the District shall be in substantially such form as is attached hereto as Exhibit B. Each such Requisition of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. At the end of one hundred eighty (180) days from the date of initial execution and delivery of the Certificates, or upon earlier receipt of a Statement of the Authorized Representative of the District that amounts in said fund are no longer required for the payment of Costs of Delivery, the Costs of Delivery Fund shall be closed and any amounts then remaining in said fund shall be transferred to the Project Fund.

Section 3.4. Establishment and Application of Project Fund.

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund.” The moneys in the Project Fund shall be used, withdrawn and disbursed by the Trustee, as directed by Requisition of the District, submitted by an Authorized Representative of the District, to pay costs of the Project. No moneys in the Project Fund shall be used to pay Costs of Delivery.

(B) Other than with respect to the proceeds received from the sale of the Certificates to be transferred to the District as reimbursement for certain costs of the Project, as provided in Section 3.2(B), before any payment from the Project Fund shall be made, an Authorized Representative of the District shall file or cause to be filed with the Trustee a Requisition of the District, which Requisition of the District shall be in substantially such form as is attached hereto as Exhibit C. Each such Requisition of the District shall be sufficient evidence to the Trustee of the facts or matters stated therein and the Trustee shall have no duty to confirm the accuracy of or make an investigation into such facts or matters. For purposes of complying with the requirements of this Section, the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any requisition signed by the Authorized Representative of the District. The Trustee shall not be bound to make an investigation into the facts or matters stated in any requisition of the Issuer. The Trustee shall not be responsible for determining whether the funds on hand in the Project Fund are sufficient to pay any Project costs. The Trustee shall not be responsible to collect lien waivers.

(C) Upon receipt of each such Requisition, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Project Fund. The Trustee shall not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the monies to be so paid, that has not been released or will not be released simultaneously with such payment.

(D) When the Project shall have been completed, there shall be delivered to the Trustee a Certificate of the District stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon the receipt of such
Certificate, the Trustee shall, as directed by said Certificate, transfer any remaining balance in the Project Fund, less the amount of any such retention, to the Interest Fund or to the Optional Prepayment Account as the Certificate shall specify and the Project Fund shall thereupon be closed.

Section 3.5. Establishment and Application of Capitalized Interest Account. [to be confirmed]

Section 3.6. Validity of Certificates. The validity of the authorization and execution and delivery of the Certificates is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the District with respect to or in connection with the Purchase Agreement or the Sale Agreement.

ARTICLE IV
PREPAYMENT AND PURCHASE OF CERTIFICATES

Section 4.1. Terms of Prepayment.

(A) Extraordinary Optional Prepayment. The Certificates are subject to prepayment prior to their Certificate Payment Date, at the option of the District in whole or in part on any Business Day in such amounts as are designated by the District, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members of the Obligated Group and deposited in the Special Prepayment Account, at a Prepayment Price equal to the principal amount thereof, plus accrued interest thereon (if any) to the date fixed for prepayment, without premium.

(B) Optional Prepayment of Daily Certificates, Two Day Certificates, Weekly Certificates and Window Certificates. Daily Certificates, Two Day Certificates, Weekly Certificates and Window Certificates are subject to prepayment prior to their Certificate Payment Date, at the option of the District, in whole or in part on any Business Day in such amounts as are designated by the District at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

(C) Optional Prepayment of VRO Certificates. VRO Certificates are subject to prepayment prior to their Certificate Payment Date, at the option of the District, in whole or in part on any Business Day in such amounts as are designated by the District, at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

(D) Optional Prepayment of Short-Term Certificates. Short-Term Certificates are subject to prepayment prior to their Certificate Payment Date, at the option of the District, in whole or in part on any Interest Payment Date for such Short-Term Certificates, in such amounts as are designated by the District, at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

(E) Optional Prepayment of FRN Certificates. FRN Certificates are subject to prepayment prior to their Certificate Payment Date, at the option of the District, as follows: (i) for Certificates operating in a FRN Period of less than five years, on any date during the period
beginning 180 days prior to the last day of such FRN Period and ending on the FRN Rate Mandatory Purchase Date, (ii) for Certificates operating in a FRN Period of five years or more, on any date during the period beginning one year prior to the last day of such FRN Period and ending on the FRN Rate Mandatory Purchase Date, or (iii) with a Favorable Opinion of Special Counsel, on any Business Day during the period beginning on the date established pursuant to Section 2.10(A) hereof and ending on the FRN Rate Mandatory Purchase Date, in whole or in part, in such amounts as are designated by the District, at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

(F) Optional Prepayment of Flexible Rate Certificates. Certificates in the Flexible Mode are not subject to optional prepayment prior to their respective Purchase Dates. Certificates in the Flexible Mode shall be subject to prepayment at the option of the District, in whole or in part on their respective Purchase Dates at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

(G) Optional Prepayment of Long-Term Certificates or Fixed Certificates.

(i) During the Initial Fixed Period, the Certificates with Certificate Payment Dates on and after November 1, 20[__] are subject to prepayment prior to their respective Certificate Payment Date on any date on or after November 1, 20[__], at the option of the District, in whole or in part at any time, in such amounts and with such Certificate Payment Dates as may be designated by the District, at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

(ii) Long-Term Certificates and Fixed Certificates (other than during the Initial Fixed Period) are subject to prepayment prior to their Certificate Payment Date, at the option of the District, in whole or in part, in such amounts as may be designated by the District, (a) on each Long-Term Rate Mandatory Purchase Date with respect to Certificates in a Long-Term Period, at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium, and (b) after the applicable no call periods specified below with respect to Long-Term Certificates or Fixed Certificates (or, with a Favorable Opinion of Special Counsel, during such different periods and at such different Prepayment Prices specified in a notice of the District to the Trustee in connection with the establishment of the Long-Term Rate(s) or a Fixed Rate(s)) on any date, at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium:

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<th>LENGTH OF LONG-TERM INTEREST RATE PERIOD OR YEARS REMAINING TO FINAL CERTIFICATE PAYMENT DATE AS OF FIXED RATE CONVERSION DATE OR LONG-TERM CONVERSION DATE</th>
<th>INITIAL PREPAYMENT DATES (ANNIVERSARY OF FIXED RATE CONVERSION DATE OR LONG-TERM CONVERSION DATE)</th>
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<td>Equal to or less than 10 years</td>
<td>Not subject to optional prepayment</td>
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Greater than 10 years 10\textsuperscript{th} anniversary

The foregoing notwithstanding, if the District delivers to the Trustee, the Remarketing Agent and the Authority on any Conversion Date or Purchase Date (for Certificates remaining Long-Term Certificates for an additional Long-Term Interest Rate Period) (1) a notice containing alternative call protection periods and/or Prepayment Prices for Long-Term Certificates or Fixed Certificates and (2) a Favorable Opinion of Special Counsel, then the Certificates shall be subject to prepayment at the option of the District, pursuant to the call protection periods and at the Prepayment Prices, if any, set forth in that notice, and this Section 4.1(G) shall be deemed to be modified as set forth in such notice.

(H) \textbf{Optional Prepayment of Direct Purchase Certificates.} Direct Purchase Certificates are subject to prepayment prior to their Certificate Payment Date, at the option of the District, in whole or in part at any time on or after their Direct Purchase Period Earliest Prepayment Date, if any, at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium, or, with a Favorable Opinion of Special Counsel, as is set forth in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof.

(I) \textbf{Mandatory Prepayment of VRO Certificates.} VRO Certificates are subject to mandatory prepayment on each VRO Interest Rate Period Special Mandatory Prepayment Date (unless no longer effective pursuant to the terms of Section 2.11(C)(iv) hereof) at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

(J) \textbf{Mandatory Prepayment of Direct Purchase Certificates.} Direct Purchase Certificates are subject to mandatory prepayment at the times, in the amounts, and at the Prepayment Prices, as may be set forth in the applicable Supplemental Trust Agreement or Certificateholder Agreement or notice of conversion to the new Direct Purchase Mode pursuant to Section 2.13 hereof. Anything in this Trust Agreement to the contrary notwithstanding, no notice related to a mandatory prepayment related to Mandatory Sinking Account Payment shall be required while the Certificates are in the Direct Purchase Mode.

(K) \textbf{Mandatory Sinking Account Payment.} During the Initial Fixed Period and subject to Sections 2.15(F)(vi) and (vii) hereof, Certificates with Certificate Payment Dates on (i) November 1, 20\textsuperscript{[\_]}; and (ii) November 1, 20\textsuperscript{[\_]}, are also subject to prepayment in part prior to their Certificate Payment Date from Mandatory Sinking Account Payment established pursuant to Section 5.3(E) hereof on the date that any Mandatory Sinking Account Payment is due at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium. During any other Interest Rate Period, the Certificates are also subject to prepayment in part prior to their Certificate Payment Date from Mandatory Sinking Account Payment determined in accordance with Section 2.15(F)(vii) hereof in the amounts set forth in Section 5.3(E) hereof on any November 1 at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.
(L) **Prepayment of Bank Certificates.** All Liquidity Facility Certificates and Credit Facility Certificates shall also be subject to prepayment as may be provided in the applicable Liquidity Facility or Credit Facility Agreement at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

(M) **Purchase in Lieu of Optional Prepayment.** Notwithstanding the above provisions in this Section 4.1, any Certificates subject to optional prepayment and cancellation pursuant to Section 4.1(B), (C), (D), (E), (F), (G) or (H) above shall also be subject to optional call for purchase by the District and, at the option of the District, holding, resale or cancellation by the District (i.e., a so called purchase in lieu of prepayment) at the same times and at the same purchase price equal to the Prepayment Prices as are applicable to the optional prepayment of such Certificates as provided in such paragraphs. To exercise such option, the District shall give the Trustee a Written Request exercising such option within the time period specified in Section 4.3 hereof as though such Written Request were a written request for prepayment, and the Trustee shall thereupon give the holders of the Certificates to be purchased notice of such purchase in the manner specified in Section 4.3 hereof as though such purchase by the District were a prepayment and the purchase of such Certificates shall be mandatory and enforceable against the Holders. On the date fixed for purchase pursuant to any exercise of such option, the District or its assignee shall pay the purchase price of the Certificates then being purchased to the Trustee in immediately available funds, and the Trustee shall pay the same to the sellers of such Certificates against delivery thereof; provided however that in the case of any Certificates that are at the time enhanced with a Credit Facility that is a direct-pay letter of credit, such purchase price shall be paid with Eligible Moneys. Following such purchase, the Trustee shall cause such Certificates to be registered in the name of the District or its assignees and shall deliver them to the District or its assignee. In the case of the purchase of less than all of the Certificates, the particular Certificates to be purchased shall be selected in accordance with Section 4.2 hereof. No purchase of the Certificates pursuant to these provisions shall operate to extinguish the indebtedness of the Authority evidenced thereby (subject to all the terms and limitations contained in this Trust Agreement). Notwithstanding the foregoing, no purchase shall be made pursuant to this section (M) unless a Favorable Opinion of Special Counsel has been delivered.

(N) **Denominations.** All prepayments of less than all Certificates shall be in Authorized Denominations.

(O) **Sinking Account Adjustments.** If there shall be any prepayments of Certificates other than sinking account prepayments, the District shall provide the Trustee a revised Mandatory Sinking Account Payment schedule in order to reflect any such other prepayments.

(P) **Prepayment Price to be Paid with Eligible Moneys while Credit Facility that is Direct-Pay-Letter of Credit in Effect for Certificates.** At any time during which there is a Credit Facility that is a direct-pay letter of credit in effect with respect to the Certificates, the Prepayment Price for such Certificates shall be paid only with Eligible Moneys.

(Q) **Notice to Trustee of Optional Prepayment.** Any election of the District for all or a portion of the Certificates to be subject to optional prepayment shall be exercised upon Request of the District given to the Trustee (unless waived by the Trustee in its sole discretion) at least
2 Business Days prior to the date the Trustee is required to provide notice of optional prepayment to the Holders of the Certificates.

Section 4.2. Selection of Certificates for Prepayment. Whenever provision is made in this Trust Agreement for the prepayment of less than all of the Certificates or any given portion thereof, the Trustee shall select the Certificates to be prepaid, from all Certificates subject to prepayment or such given portion thereof not previously called for prepayment, as directed in writing by the District or in the absence of direction by lot; provided, however, that Certificates shall be prepaid in the following order of priority (and randomly within each priority):

FIRST: Any Certificates which are Bank Certificates; and
SECOND: Any other Certificates.

Section 4.3. Notice of Prepayment. Notice of prepayment shall be mailed by the Trustee by first class mail, not less than twenty (20) days nor more than sixty (60) days prior to the prepayment date, to the respective Holders of any Certificates designated for prepayment at their addresses appearing on the certificate Registration Books of the Trustee, a copy of which notice shall be provided to the Authority, the District, the Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any and the Direct Purchaser, if any. The Trustee shall also give notice of prepayment by overnight mail, or by such other method acceptable to such institutions, to such securities depositories and/or securities information services as shall be designated in a Certificate of the District. Each notice of prepayment shall state the date of such notice, the date of execution and delivery of the Certificates, the prepayment date, the Prepayment Price, the place or places of prepayment (including the name and appropriate address or addresses of the Trustee), the CUSIP numbers, if any, and, in the case of Certificates to be prepaid in part only, the respective portions of the principal component thereof to be prepaid. Each such notice shall also state that on said date there will become due and payable on each of said Certificates the Prepayment Price thereof or of said specified portion of the principal component thereof in the case of a Certificate to be prepaid in part only, together with interest accrued thereon to the prepayment date, and that from and after such prepayment date interest thereon shall cease to accrue, and shall require that such Certificates be then surrendered.

None of the Authority, the Trustee or the District shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Certificate or in any prepayment notice or elsewhere. The Trustee may, in its discretion, include in any prepayment notice a statement to the effect that the CUSIP numbers on the Certificates have been assigned by an independent service and that no representation is made as to the correctness of such numbers either as printed on the Certificates or as contained in any prepayment notice or elsewhere and are included in such notice solely for the convenience of the Holders and that neither the Authority, the Trustee nor the District shall be liable for any inaccuracies in such numbers, and that reliance may be placed only on the other identification numbers printed on the Certificates, and any such prepayment shall not be affected by any defect in or omission of such numbers. The District will promptly notify the Trustee in writing of any change in the CUSIP numbers.
Failure by the Trustee to mail notice of prepayment pursuant to this Section 4.3 to any one or more of the respective Holders of any Certificates designated for prepayment shall not affect the sufficiency of the proceedings for prepayment with respect to the Holders to whom such notice was mailed. Failure by the Trustee to give notice pursuant to this Section 4.3 to any one or more of the securities depositories or securities information services designated by the District, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for prepayment.

Notice of prepayment of Certificates shall be given by the Trustee, at the expense of the District.

The District may also instruct the Trustee to provide conditional notice of optional prepayment, which may be conditioned upon the receipt of moneys or any other event.

Any notice given pursuant to this Section 4.3 may be rescinded by written notice given to the Trustee by the District no later than five (5) Business Days prior to the date specified for prepayment. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such prepayment was given pursuant to this Section 4.3.

**Section 4.4. Partial Prepayment of Certificates.** Upon surrender of any Certificate prepaid in part only, the Trustee may (but need not) prepare and execute and deliver to the Holder thereof, at the sole expense of the District, a new Certificate or Certificates of Authorized Denominations with the same Certificate Payment Date, equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered; provided, however, that during any Direct Purchase Period, there shall be no requirement for the Holder to present the Certificates for surrender in connection with a partial prepayment of the Certificates.

**Section 4.5. Effect of Prepayment.** Notice of prepayment having been duly given as aforesaid, and moneys for payment of the Prepayment Price of, together with interest accrued to the prepayment date on, the Certificates (or portions thereof) so called for prepayment being held by the Trustee, on the prepayment date designated in such notice, the Certificates (or portions thereof) so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and interest accrued with respect thereto to the prepayment date, interest with respect to the Certificates so called for prepayment shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under this Trust Agreement, and the Holders of said Certificates shall have no rights in respect thereof except to receive payment of said Prepayment Price and accrued interest to the date fixed for prepayment from funds held by the Trustee for such payment.

Subject to the provisions of Section 4.1(M) hereof, respecting purchases in lieu of prepayment, all Certificates prepaid pursuant to the provisions of this Article shall be canceled by the Trustee upon surrender thereof (and, if applicable, credited against Mandatory Sinking Account Payments).

(A) Holders of Eligible Certificates may elect to have their Daily Certificates, Two Day Certificates, Weekly Certificates, Window Certificates or VRO Certificates, or portions thereof in amounts in Authorized Denominations, purchased at the Purchase Price on the following Purchase Dates and upon giving the following Electronic Notice or written notice meeting the further requirements set forth below:

(i) Eligible Certificates with interest payable at a Daily Rate may be tendered for purchase at the Purchase Price payable in immediately available funds on any Business Day upon Electronic Notice of tender to the Trustee and the Remarketing Agent with respect to such Certificates not later than 11:00 a.m., New York City time, on the designated Purchase Date.

(ii) Eligible Certificates with interest payable at a Two Day Rate may be tendered for purchase at the Purchase Price payable in immediately available funds on any Business Day upon Electronic Notice of tender to the Trustee and the Remarketing Agent with respect to such Certificates not later than 1:00 p.m., New York City time, on a Business Day not fewer than two days prior to the designated Purchase Date.

(iii) Eligible Certificates with interest payable at a Weekly Rate may be tendered for purchase at the Purchase Price payable in immediately available funds on any Business Day upon delivery of Electronic Notice of tender to the Trustee and the Remarketing Agent with respect to such Certificates not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the designated Purchase Date.

(iv) Eligible Certificates with interest payable at a Window Rate may be tendered for purchase at the Purchase Price payable in immediately available funds upon delivery of Electronic Notice of tender to the Trustee and the Remarketing Agent with respect to such Certificates not later than 5:00 p.m., New York City time, on any Business Day for tender on a Window Rate Optional Purchase Date designated by the Remarketing Agent, if any.

(v) Eligible Certificates with interest payable at a VRO Rate may be tendered for purchase at the VRO Interest Rate Period Purchase Price in accordance with the applicable provisions of Section 2.11(B) hereof.

(B) Each notice of tender (other than a VRO Interest Rate Period Tender Notice which shall conform to the requirements set forth in Section 2.11(B) hereof):

(i) Shall, in case of a written notice, be delivered to the Trustee at its Corporate Trust Office and the Remarketing Agent at its Principal Office and be in form satisfactory to the Trustee and the Remarketing Agent;

(ii) Shall state (A) the principal amount of the Daily Certificate, Two Day Certificate, Weekly Certificate or Window Certificate to which the notice relates and the CUSIP number of such Daily Certificate, Two Day Certificate, Weekly Certificate or
Window Certificate, (B) that the Holder irrevocably demands purchase of such Daily Certificate, Two Day Certificate, Weekly Certificate or Window Certificate or a specified portion thereof in an Authorized Denomination, (C) for any Daily Certificate, Two Day Certificate or Weekly Certificate, the Purchase Date on which such Daily Certificate, Two Day Certificate or Weekly Certificate or portion thereof is to be purchased and (D) payment instructions with respect to the Purchase Price; and

(iii) Shall automatically constitute (A) an irrevocable offer to sell the Daily Certificate, Two Day Certificate, Weekly Certificate or Window Certificate (or portion thereof) to which such notice relates on the Purchase Date (which, in the case of Window Certificates, shall be the Purchase Date, if any, designated by the Remarketing Agent pursuant to Section 4.11(B)(iii) hereof (a “Window Rate Optional Purchase Date”)), to any purchaser selected by the Remarketing Agent, with respect to the applicable Certificates at a price equal to the Purchase Price, (B) an irrevocable authorization and instruction to the Trustee to effect transfer of such Daily Certificate, Two Day Certificate, Weekly Certificate or Window Certificate (or portion thereof) upon receipt by the Trustee of funds sufficient to pay the Purchase Price on the Purchase Date (subject to Section 4.11(B)(iii) hereof with respect to Window Certificates), (C) an irrevocable authorization and instruction to the Trustee to effect the exchange of the Daily Certificate, Two Day Certificate, Weekly Certificate or Window Certificate to be purchased in whole or in part for other Daily Certificates, Two Day Certificates, Weekly Certificates or Window Certificates in an equal aggregate principal amount so as to facilitate the sale of such Daily Certificate, Two Day Certificate, Weekly Certificate or Window Certificates (or portion thereof to be purchased), and (D) an acknowledgment that such Holder will have no further rights with respect to such Daily Certificate, Two Day Certificate, Weekly Certificate or Window Certificate (or portion thereof) upon deposit of an amount equal to the Purchase Price therefor with the Trustee on the Purchase Date, except for the right of such Holder to receive such Purchase Price upon surrender of such Daily Certificate, Two Day Certificate, Weekly Certificate or Window Certificate to the Trustee.

The determination of the Trustee and theRemarketing Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Holder. The Trustee or the Remarketing Agent may waive any irregularity or nonconformity in any notice of tender.

(C) The right of Holders to tender Daily Certificates, Two Day Certificates, Weekly Certificates, Window Certificates or VRO Certificates for purchase pursuant to this Section 4.6 shall terminate upon a Conversion Date with respect to such Daily Certificates, Two Day Certificates, Weekly Certificates, Window Certificates or VRO Certificates, respectively, to an Interest Rate Mode that is not a Daily Mode, Two Day Mode, Weekly Mode, Window Mode or VRO Mode, respectively.

(D) Notwithstanding anything to the contrary herein, all Daily Certificates, Two Day Certificates or Weekly Certificates as to which Electronic Notice specifying the Purchase Date has been delivered pursuant to this Section 4.6 (and which have not been tendered to the Trustee) shall be deemed tendered on the specified Purchase Date. From and after the specified Purchase Date of a Certificate or Certificates tendered to the Trustee or deemed tendered pursuant to this
Section 4.6, the former Holder of such Certificate or Certificates shall be entitled solely to the payment of the Purchase Price of such Certificate or Certificates tendered or deemed tendered, which Purchase Price shall be payable only as set forth in Section 4.10(E) hereof.

(E) The Trustee shall promptly return any notice of tender delivered pursuant to Section 4.6(B) hereof (together with the Certificates submitted therewith) that is incomplete or improperly completed or not delivered within the times required by Section 4.6(B) hereof to the Person or Persons submitting such notice and Certificates upon surrender of the receipt, if any, issued therefor.

Section 4.7. Mandatory Tender for Purchase of Certificates.

(A) Certificates shall be subject to mandatory tender for purchase by the Trustee at the Purchase Price on the following Mandatory Purchase Dates with respect to such Certificates:

(i) Each Conversion Date for Certificates, as provided in Section 4.8 hereof except Conversions from the Weekly Mode to the Daily Mode and from the Daily Mode to the Weekly Mode; provided, however, that if such Conversion Date is already a Mandatory Purchase Date, as specified in Sections 4.7(A)(ii), (iii), (iv), (v), (vi), (vii), (viii), (ix) and (x) hereof, no separate mandatory tender shall occur;

(ii) Each Short-Term Rate Mandatory Purchase Date;

(iii) Each Long-Term Rate Mandatory Purchase Date;

(iv) In connection with a Noticed Termination Date, an Expiration Date of the Credit Facility or the Liquidity Facility in effect with respect to any Certificates or the delivery of an Alternate Liquidity Facility or an Alternate Credit Facility, on the dates and as provided in Sections 4.9, 4.17, 4.19 and 4.20 hereof, and, (A) during any time in which the District has delivered a Self-Liquidity Arrangement for the Certificates as permitted herein, on the effective date of any Liquidity Facility or Credit Facility that is delivered to the Trustee in substitution for such Self-Liquidity Arrangement and (B) during any time in which the Certificates are not supported by a Liquidity Facility, a Credit Facility or a Self-Liquidity Arrangement, on the effective date of any Liquidity Facility, Credit Facility or Self-Liquidity Arrangement that is delivered to the Trustee in support of the Certificates;

(v) Each FRN Rate Mandatory Purchase Date;

(vi) Each Window Rate Mandatory Purchase Date, as provided in Section 4.11(B)(iii) hereof;

(vii) Each District Elective Purchase Date for any Daily Certificates, Two Day Certificates, Weekly Certificates or Window Certificates, as provided in Section 4.7(G) hereof;

(viii) Each VRO Interest Rate Period Remarketing Date as provided in Section 2.11(C)(ii) hereof;
(ix) Each Direct Purchase Rate Mandatory Purchase Date; and

(x) with respect to a Flexible Rate Certificate, the first Business Day following the last day of each Flexible Rate Period.

(B) Certificates to be purchased pursuant to Section 4.7(A) hereof shall be delivered by the Holders thereof to the Trustee (together with necessary assignments and endorsements) at or prior to 10:00 a.m., New York City time, on the applicable Purchase Date (provided, however, that the Holder of a Direct Purchase Certificate subject to Conversion from a Direct Purchase Period to another Direct Purchase Period shall have the option to retain possession of such Direct Purchase Certificate if such Holder is to continue to hold such Direct Purchase Certificate for the ensuing Direct Purchase Period).

(C) Any Certificates to be purchased by the Trustee pursuant to this Section 4.7 that are not delivered for purchase on or prior to the Mandatory Purchase Date, for which there has been irrevocably deposited in trust with the Trustee an amount sufficient to pay the Purchase Price of such Certificates, shall be deemed to have been tendered to the Trustee for purchase, and the Holders of such Certificates shall not be entitled to any payment (including any interest to accrue on or after the Mandatory Purchase Date) other than the respective Purchase Prices of such Certificates, and such Certificates shall not be entitled to any benefits of this Trust Agreement, except for payment of such Purchase Price out of the moneys deposited for such payment as aforesaid, subject, however, to the provisions of Article X hereof.

(D) In addition to any other requirements set forth in this Trust Agreement (except as otherwise provided in Section 2.11 hereof), notices of mandatory tender of Certificates delivered to Holders shall:

(i) Specify the proposed Mandatory Purchase Date and the event which gives rise to the proposed Mandatory Purchase Date;

(ii) State that such Certificates shall be subject to mandatory tender for purchase on such Mandatory Purchase Date;

(iii) State that Holders may not elect to retain such Certificates subject to mandatory tender;

(iv) State that all such Certificates subject to mandatory tender shall be required to be delivered to the Corporate Trust Office of the Trustee at or before 10:00 a.m., New York City time, on the Mandatory Purchase Date;

(v) State that if the Holder of any Certificate subject to mandatory tender fails to deliver such Certificate to the Trustee for purchase on the Mandatory Purchase Date, and if the Trustee is in receipt of funds sufficient to pay the Purchase Price thereof, such Certificate (or portion thereof) shall nevertheless be deemed purchased on the Mandatory Purchase Date and ownership of such Certificate (or portion thereof) shall be transferred to the purchaser thereof;
(vi) State that any Holder that fails to deliver any Certificate for purchase shall have no further rights thereunder or under this Trust Agreement except the right to receive the Purchase Price thereof upon presentation and surrender of said Certificate to the Trustee and that the Trustee will place a stop transfer against the Certificates subject to mandatory tender registered in the name of such Holder(s) on the Registration Books;

(vii) State that if moneys sufficient to effect such purchase shall have been provided through (A) the remarketing of such Certificates by the Remarketing Agent, (B) the Credit Facility, if any, or the Liquidity Facility, if any, or (C) funds provided by the District (if applicable), all such Certificates shall be purchased;

(viii) In the case of mandatory tender upon any proposed Conversion of Certificates, state that such Conversion and such mandatory tender will not occur in the event the conditions to Conversion specified in Section 2.15 hereof do not occur, and that any such failure to effect the Conversion shall not constitute an Event of Default (unless the Certificates, by their terms are otherwise subject to mandatory tender as described in Section 4.7(A) hereof);

(ix) In the case of mandatory tender as a result of the upcoming Expiration Date of the Credit Facility, if any, or the Liquidity Facility, if any, state that such mandatory tender will not occur, if, on or prior to the Mandatory Purchase Date, such Expiration Date is extended; and

(x) In the case of a mandatory tender on a VRO Rate Mandatory Purchase Date, contain the information required pursuant to Section 2.11 hereof.

(E) Notice of mandatory tender of Certificates by reason of a proposed Conversion shall be given in accordance with Section 2.15 hereof. Notice of mandatory tender of Certificates by reason of other events described in Section 4.7(A) hereof shall be given by the Trustee (i) to the Holders of the Certificates subject to mandatory tender (at their addresses as they appear on the Registration Books as of the date of such notice) by Electronic Notice, confirmed by first class mail, and (ii) to the District, the Authority, the Remarketing Agent, the Calculation Agent, if any, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, with respect to such Certificates by Electronic Notice not fewer than 10 days prior to the applicable Mandatory Purchase Date (except in the case of a mandatory tender pursuant to Section 4.17 hereof, which notice period shall be as described therein, in the case of a mandatory tender of VRO Certificates pursuant to Section 4.7(A)(viii) hereof, which notice period shall be in accordance with Section 2.11, and in the case of a Window Rate Mandatory Purchase Date, which notice shall be given in accordance with Section 4.11(B)(iii) hereof). Any notice of mandatory tender pursuant to Section 4.7(G) hereof shall state that the mandatory tender of the Certificates on a District Elective Purchase Date (as defined in Section 4.7(G)) is conditioned upon receipt by the Trustee of sufficient remarketing proceeds to pay the Purchase Price of the Certificates on the District Elective Purchase Date, that any failure to provide such funds shall not constitute an Event of Default, and that the notice of mandatory tender shall be rescinded in the event that sufficient remarketing proceeds are not deposited with the Trustee on such District Elective Purchase Date.
(F) If, following the giving of notice of mandatory tender of Certificates pursuant to Section 4.7(A) hereof, an event occurs which, in accordance with the terms of this Trust Agreement causes such mandatory tender not to occur, then (i) the Trustee shall so notify the Holders of such Certificates (at their addresses as they appear on the Registration Books on the date of such notice), by Electronic Notice, confirmed by first class mail, as soon as may be practicable after the applicable Mandatory Purchase Date, and (ii) the Trustee shall return to the Holders any such Certificates tendered to the Trustee in connection with such mandatory tender of such Certificates.

(G) During any Daily Period, Two Day Period, Weekly Period or Window Period, the Certificates are subject to mandatory tender for purchase on any Business Day (a “District Elective Purchase Date”) designated by the District, with the consent of the Liquidity Facility Provider or the Credit Facility Provider, if any, at the Purchase Price, payable in immediately available funds. Such District Elective Purchase Date shall be a Business Day not earlier than the 10th day following the second Business Day after receipt by the Trustee of such designation. If on a District Elective Purchase Date sufficient remarketing proceeds are not available for the purchase of all Certificates, as applicable, then the District’s designation of such District Elective Purchase Date for such Certificates shall be deemed rescinded, the District shall have no obligation to purchase the Certificates tendered or deemed tendered on such District Elective Purchase Date, and the failed remarketing shall not constitute an Event of Default under this Trust Agreement. The Trustee shall give Electronic Notice of such rescission to the Holders, with a copy to the District, the Authority, the Remarketing Agent and the Liquidity Facility Provider or the Credit Facility Provider, if any, as soon as practicable and in any event not later than the date of rescission of the proposed District Elective Purchase Date.

Section 4.8. Mandatory Tender for Purchase on Conversion Date, on First Day of Each Interest Rate Mode, or During Direct Purchase Period.

(A) Eligible Certificates shall be subject to mandatory tender for purchase on any Conversion Date (except for Conversions from the Weekly Mode to the Daily Mode and from the Daily Mode to the Weekly Mode) or on the first day of each Interest Rate Mode with respect to such Certificates, at the applicable Purchase Price for such Certificates, payable in immediately available funds, or, in the case of a purchase on a Conversion Date or the first day of an Interest Rate Mode which is preceded by a Long-Term Period and which commences prior to the day originally established as the last day of such preceding Long-Term Period, at a Purchase Price equal to the optional Prepayment Price set forth in Section 4.1(G) hereof which would have been applicable to such Certificates if the preceding Long-Term Period had continued to the day originally established as its last day, plus accrued interest, if any. The Purchase Price of any Certificate so purchased shall be payable only upon surrender of such Certificate to the Trustee at its Corporate Trust Office at or prior to 10:00 a.m., New York City time, on the date specified for such delivery in this paragraph or in the notice provided pursuant to Section 2.15 hereof.

(B) The Direct Purchase Certificates shall be subject to mandatory tender for purchase (i) on each Direct Purchase Rate Mandatory Purchase Date, and (ii) during any Direct Purchase Period, on the date which is the fifth (5th) Business Day following receipt of notice given to the District and the Trustee from the Direct Purchaser that an event of default under the Certificateholder Agreement has occurred and is continuing and directing a mandatory tender of the Direct Purchase Certificates.
Section 4.9. Mandatory Tender Upon Termination or Expiration of Liquidity Facility or Credit Facility.

If a Liquidity Facility or Credit Facility has been delivered to the Trustee in accordance with the provisions of the Sale Agreement, the Certificates secured by such Liquidity Facility or Credit Facility shall be subject to mandatory tender for purchase prior to the Noticed Termination Date or the Expiration Date, as applicable, for such Liquidity Facility or Credit Facility, on the dates determined pursuant to Section 4.17 hereof and as more particularly set forth in Section 4.17 hereof, at the Purchase Price, payable in immediately available funds. The Purchase Price of any Certificate so purchased shall be payable only upon surrender of such Certificate to the Trustee at its Corporate Trust Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Holder thereof or by the Holder's duly authorized attorney, at or prior to 10:00 a.m., New York City time, on the date specified for such delivery in a notice provided to the Holders by the Trustee. Any drawing upon a Liquidity Facility or Credit Facility to pay the Purchase Price of Certificates subject to mandatory tender in connection with the delivery of an Alternate Credit Facility or an Alternate Liquidity Facility shall be made upon the existing Credit Facility or Liquidity Facility and not upon the Alternate Credit Facility or Alternate Liquidity Facility.

Section 4.10. General Provisions Relating to Tenders.

(A) Creation of Certificate Purchase Fund.

(i) There shall be created and established hereunder with the Trustee a fund to be designated the “Certificate Purchase Fund —Series 2022A” (the “Certificate Purchase Fund”) to be held in trust only for the benefit of the Holders of tendered Certificates who shall thereafter be restricted exclusively to the moneys held in such fund for the satisfaction of any claim for the Purchase Price of such tendered Certificates.

(ii) There shall be created and designated the following accounts within the Certificate Purchase Fund: the “Remarketing Proceeds Account,” the “Liquidity Facility Account,” the “Credit Facility Account,” the “District Purchase Account,” and the “Undelivered Certificate Payment Account,” and within each such account, a sub-account for each Sub-Series of Certificates if and as may be applicable. Moneys paid to the Trustee for the purchase of tendered or deemed tendered Certificates received from (a) the Remarketing Agent shall be deposited in the Remarketing Proceeds Account (and any sub-account) in accordance with the provisions of Section 4.10(D)(i) hereof, (b) payments pursuant to a Liquidity Facility, if any, shall be deposited in the Liquidity Facility Account (and any sub-account) in accordance with the provisions of Section 4.10(D)(ii) hereof, (c) payments pursuant to a Credit Facility, if any, shall be deposited in the Credit Facility Account (and the sub-account) in accordance with the provisions of Section 4.10(D)(ii) hereof, and (d) the District (but only when and if the District is obligated to provide such funds or otherwise elects to provide such funds) shall be deposited in the District Purchase Account (and any sub-account) in accordance with the provisions of Section 4.10(D)(iii) hereof. Moneys provided from payments made under a Liquidity Facility, if any, or Credit Facility, if any, not required to be used in connection with the purchase of tendered Certificates shall be returned to the applicable Liquidity
Facility Provider or Credit Facility Provider in accordance with Section 4.10(D) and (e) hereof. Moneys provided by the District not required to be used in connection with the purchase of tendered Certificates shall be returned to the District in accordance with Sections 4.10(D) and (E) hereof.

(iii) Moneys in the Liquidity Facility Account, the Credit Facility Account, the District Purchase Account, the Undelivered Certificate Payment Account, and the Remarketing Proceeds Account shall not be commingled with other funds held by the Trustee and shall remain uninvested in an Eligible Account and without liability for interest on the part of the Trustee. “Eligible Account” shall mean an account that is maintained with the corporate trust department of a federal depository institution, trust company or state chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, has corporate trust powers and is acting in its fiduciary capacity. In the event that an account required to be an Eligible Account no longer complies with such requirement, the Trustee should promptly upon having received notice of such event (and in any case, within not more than thirty (30) calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

(iv) At no time shall the Trustee draw on a Liquidity Facility or Credit Facility (a) with respect to any Certificates operating in an Interest Rate Mode not covered by such Liquidity Facility or Credit Facility or (b) to pay the Purchase Price of any Certificates that are not Eligible Certificates.

(v) Neither the District nor the Authority shall have any right, title or interest in any of the funds held on deposit in the Remarketing Proceeds Account, the Liquidity Facility Account, the Credit Facility Account or the Undelivered Certificate Payment Account nor any remarketing proceeds held for any period of time by the Remarketing Agent.

(B) Deposit of Certificates. The Trustee agrees to hold all Certificates delivered to it pursuant to Sections 4.6, 4.7, 4.8 and 4.9 hereof in trust for the benefit of the respective Holders which shall have so delivered such Certificates until moneys representing the Purchase Price of such Certificates have been delivered to such Holder in accordance with the provisions of this Trust Agreement and until such Certificates shall have been delivered by the Trustee in accordance with Section 4.10(F) hereof.

(C) Remarketing of Certificates.

(i) Immediately upon its receipt, but not later than 11:30 a.m., New York City time, on the Purchase Date with respect to a notice pursuant to Section 4.6(B) hereof with respect to Daily Certificates, not later than 1:15 p.m. New York City time, on the Business Day following receipt from a Holder of a notice pursuant to Section 4.6(B) hereof with respect to Two Day Certificates, and not later than 12:00 noon, New York City time, on the Business Day following receipt from a Holder of a notice pursuant to Section 4.6(B) hereof with respect to Weekly Certificates, the Trustee shall notify the Remarketing Agent, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, and the District
by Electronic Notice of such receipt, specifying the principal amount of Certificates for which it has received a notice pursuant to Section 4.6(B) hereof, the names of the Holders thereof, the date on which such Certificates are to be purchased in accordance with Section 4.6 hereof, the amount of the Purchase Price of such Certificates and the portion, if any, thereof representing accrued and unpaid interest on such Certificates to the Purchase Date.

(ii) As soon as practicable, but in no event later than 10:15 a.m., New York City time, on the Purchase Date in the case of Weekly Certificates to be purchased pursuant to Section 4.6(A) hereof, and in no event later than 11:30 a.m., New York City time, on the Purchase Date in the case of Daily Certificates or Two Day Certificates to be purchased pursuant to Section 4.6(A) hereof, and in no event later than 10:15 a.m., New York City time, on the Purchase Date in the case of Certificates to be purchased pursuant to Sections 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) hereof and in no event later than 4:00 p.m., New York City time, on the last Business Day prior to the Mandatory Purchase Date in the case of Certificates to be purchased pursuant to Sections 4.8 or 4.9 hereof, the Remarketing Agent shall inform the Trustee by Electronic Notice, of the principal amount of Purchased Certificates for which the Remarketing Agent has identified prospective purchasers and of the name, and if known to the Remarketing Agent, address and taxpayer identification number of each such purchaser, the principal amount of Purchased Certificates to be purchased and the Authorized Denominations in which such Purchased Certificates are to be delivered. Upon receipt from the Remarketing Agent of such information, the Trustee shall prepare Purchased Certificates in accordance with such information received from the Remarketing Agent for the registration of transfer and redelivery to the Remarketing Agent.

(iii) By 10:30 a.m., New York City time, on the Mandatory Purchase Date in the case of Certificates to be purchased pursuant to Sections 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) hereof, by 10:30 a.m., New York City time, on the Purchase Date in the case of Weekly Certificates to be purchased pursuant to Section 4.6(A) hereof or any Certificates to be purchased pursuant to Sections 4.8 or 4.9 hereof, and by 11:45 a.m., New York City time, on the Purchase Date in the case of Daily Certificates or Two Day Certificates to be purchased pursuant to Section 4.6(A) hereof, the Trustee shall notify the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Direct Purchaser, if any, and the District by Electronic Notice or telephone, promptly confirmed in writing, as to the aggregate Purchase Price of the Purchased Certificates and as to the projected Funding Amount.

The term “Funding Amount” means an amount equal to the difference between (1) the total Purchase Price of those Purchased Certificates to be purchased pursuant to Sections 4.6(A), 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x), 4.8 and 4.9 hereof, and (2) the Purchase Price of those Purchased Certificates to be purchased pursuant to Sections 4.6(A), 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x), 4.8 or 4.9 hereof with respect to which the Remarketing Agent expects to transfer, or to cause to be transferred, immediately available funds to the Trustee by 10:30 a.m., New York City time, on the Purchase Date in the case of the Weekly Certificates purchased pursuant to Section 4.6(A) hereof or any Certificates to be purchased pursuant to Sections 4.8 and 4.9 hereof, and by
11:45 a.m., New York City time, on the Purchase Date in the case of Daily Certificates or Two Day Certificates purchased pursuant to Section 4.6(A) hereof, and by 10:30 a.m., New York City time, on the Mandatory Purchase Date in the case of the Certificates purchased pursuant to Section 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x), hereof for deposit in the Remarketing Proceeds Account pursuant to Section 4.10(D) hereof.

(iv) Upon receipt of any Electronic Notice or written notice of tender relating to Certificates representing interest accruing at a Window Rate pursuant to Section 4.6(A)(iv) hereof, the Trustee shall, not later than 12:00 noon, New York City time, on the next Business Day, send notice of such tender to the District, the Remarketing Agent, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, by Electronic Notice, including in such notice the amount of the Purchase Price of such Certificates and the portion, if any, thereof representing accrued and unpaid interest on such Certificates to the Window Rate Optional Purchase Date. The Trustee shall give notice of such optional tender, including the principal amount of Certificates to be purchased (but not the name of the tendering Certificateholder), by first class mail to the Holders not later than the second Business Day after receipt of a notice of optional tender by the Trustee pursuant to this paragraph. If the Remarketing Agent identifies a purchaser for a Window Certificate for which a notice of tender has been given during the period beginning on the Business Day such notice of tender is received by the Remarketing Agent and ending on the 30th day (or, if the 30th day is not a Business Day, the next succeeding Business Day) after such notice of tender is received by the Remarketing Agent (a “Remarketing Window”), the Remarketing Agent shall give Electronic Notice to the tendering Holder, the District, the Trustee and the Authority that a purchaser has been identified. Such notice shall designate the Window Rate Optional Purchase Date for such Certificate, which shall be the earlier of (A) the last day of the Remarketing Window or (B) any Business Day that is at least seven days after such notice is received by the tendering Holder. The Trustee shall purchase such Certificate pursuant to Section 4.11(B) hereof on the Window Rate Optional Purchase Date at the Purchase Price, but only with remarketing proceeds or with any other amounts made available by the District, in its sole discretion. If sufficient remarketing proceeds are not available for the purchase of such Certificate on the Window Rate Optional Purchase Date, and amounts are not made available by the District, in its sole discretion, for the purchase of such Certificate on the Window Rate Optional Purchase Date, then the Remarketing Agent’s designation of a Window Rate Optional Purchase Date for such Certificate shall be deemed to be rescinded, such Certificate shall not be tendered or deemed tendered or required to be purchased on such date and no Event of Default shall occur. The Remarketing Agent shall give Electronic Notice of such rescission to the tendering Holder, the Trustee, the Authority and the District as soon as practicable, and in any event, not later than the next succeeding Business Day.

(v) Any Purchased Certificates which are subject to mandatory tender for purchase in accordance with Sections 4.7, 4.8 or 4.9 hereof which are not presented to the Trustee on the Mandatory Purchase Date and any Purchased Certificates which are the subject of a notice pursuant to Section 4.6 hereof which are not presented to the Trustee on the Purchase Date, shall be deemed to have been purchased upon the deposit of moneys equal to the Purchase Price thereof into any or all of the accounts of the Certificate Purchase Fund.
(D) Deposits of Funds.

(i) The Trustee shall deposit into the Remarketing Proceeds Account any amounts received by it in immediately available funds by 10:30 a.m., New York City time, on any Purchase Date in the case of Weekly Certificates to be purchased pursuant to Section 4.6(A) hereof or any Certificates to be purchased pursuant to Sections 4.8 and 4.9 hereof, and by 11:45 a.m., New York City time, on the Purchase Date in the case of Daily Certificates or Two Day Certificates to be purchased pursuant to Section 4.6(A) hereof, and by 10:30 a.m., New York City time, on any Purchase Date in the case of Certificates purchased pursuant to Sections 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) hereof from the Remarketing Agent (which amounts received from the remarketing of the Certificates the Remarketing Agent is hereby directed to deposit with the Trustee by such times) against receipt of Certificates by the Remarketing Agent pursuant to Section 4.10(F) hereof and on account of Purchased Certificates remarketed pursuant to the terms of the Remarketing Agreement.

(ii) By 10:45 a.m., New York City time, on the Purchase Date in the case of Certificates purchased pursuant to Sections 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) hereof, and by 10:45 a.m., New York City time, on the Purchase Date (or such other time as may be required to ensure the payment of funds by the Liquidity Facility Provider or the Credit Facility Provider, as applicable, on the Purchase Date in accordance with the terms of the Liquidity Facility or the Credit Facility, as applicable) in the case of Weekly Certificates to be purchased pursuant to Section 4.6(A) hereof or any Certificates to be purchased pursuant to Sections 4.8 and 4.9 hereof, and by 11:45 a.m., New York City time, on the Purchase Date with respect to Daily Certificates or Two Day Certificates to be purchased pursuant to Section 4.6(A) hereof, the Trustee shall notify the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, and the Direct Purchaser, if any, for the Purchased Certificates and the District by Electronic Notice of the additional amount of funds, if any, required to be transferred to the Trustee (the "Additional Funding Amount") which shall be the amount, if any, by which the total Purchase Price of the Purchased Certificates exceeds the sum of the amounts then on deposit in the Remarketing Proceeds Account. If a Liquidity Facility or Credit Facility is in effect with respect to the Purchased Certificates, the Trustee shall, at or before (a) 11:00 a.m., New York City time, on the Purchase Date (or such other time as may be required to ensure the payment of funds by the Liquidity Facility Provider or the Credit Facility Provider, as applicable, on the Purchase Date in accordance with the terms of the Liquidity Facility or the Credit Facility, as applicable) with respect to Weekly Certificates to be purchased pursuant to Sections 4.6(A) hereof or any Certificates to be purchased pursuant to Sections 4.8 and 4.9 hereof; (b) 12:00 noon, New York City time, on the Purchase Date with respect to Daily Certificates or Two Day Certificates to be purchased pursuant to Section 4.6(A) hereof; and (c) 11:00 a.m., New York City time, on the Purchase Date with respect to Certificates to be purchased pursuant to Sections 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) hereof, present drafts for payment under the Liquidity Facility or Credit Facility, as may be applicable, in an amount equal to the Additional Funding Amount. The Liquidity Facility Provider or the Credit Facility Provider, as may be applicable, shall be required to provide such Additional Funding Amount, in immediately available funds, to the Trustee no later than (1) 2:30 p.m., New York City time, on the Purchase Date with respect to
Weekly Certificates to be purchased pursuant to Section 4.6(A) hereof or any Certificates to be purchased pursuant to Sections 4.8 and 4.9 hereof, and (2) 2:30 p.m., New York City time, on the Purchase Date with respect to Daily Certificates or Two Day Certificates to be purchased pursuant to Section 4.6(A) hereof and Certificates to be purchased pursuant to Sections 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) hereof. The Trustee shall deposit such amounts in the Liquidity Facility Account or Credit Facility Account, as applicable, depending on the source of such amounts. If more than one Liquidity Facility or Credit Facility is then in effect, the Trustee shall establish a separate sub-account in the Liquidity Facility Account or Credit Facility Account, as applicable, for each Liquidity Facility or Credit Facility and apply the moneys in such sub-accounts solely to pay the Purchase Price of Purchased Certificates secured by such Liquidity Facility or Credit Facility.

(iii) The District has agreed in Section 4.6 of the Sale Agreement to pay to the Trustee in immediately available funds, the Additional Funding Amount by 2:45 p.m., New York City time other than with respect to the payment of the Purchase Price due and owing relating to the following dates or events: (A) a Window Rate Optional Purchase Date; (B) in connection with a VRO Interest Rate Period Failed Remarketing Event; (C) a District Elective Purchase Date; (D) an FRN Rate Soft Put Mandatory Purchase Date; and (E) a Conversion from Certificates operating in the Fixed Period. The Trustee shall deposit any such amounts received from or provided by the District into the District Purchase Account; provided, however, that in the event the Certificates representing interest accruing at a Daily Rate or a Weekly Rate are secured by a Liquidity Facility or a Credit Facility constituting a direct-pay letter of credit, as applicable, and the Liquidity Facility Provider or the Credit Facility Provider, as applicable, fails to honor a properly presented and conforming drawing under the Liquidity Facility or the Credit Facility, as applicable, to pay the Purchase Price of tendered Certificates in connection with a Purchase Date, the District shall pay the Trustee the Additional Funding Amount required to pay the Purchase Price of the tendered Certificates with respect to which the failure occurred within 370 days after the date on which the tendered Certificates are required to be purchased.

(iv) The Trustee shall hold all proceeds received from the Remarketing Agent, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, or the District pursuant to this Section 4.10(D) hereof in trust for the tendering Certificateholders. In holding such proceeds and moneys, the Trustee will be acting on behalf of such Certificateholders by facilitating purchases of the Certificates and not on behalf of the Authority, any Liquidity Facility Provider, any Credit Facility Provider, or the District, and will not be subject to the control of any of them. Subject to the provisions of Section 4.10(E) hereof, following the discharge of the lien created by this Trust Agreement or after payment in full of the Certificates, the Trustee shall pay any moneys remaining in any account of the Certificate Purchase Fund directly to the Persons for whom such money is held upon presentation of evidence reasonably satisfactory to the Trustee that such Person is rightfully entitled to such money, and the Trustee shall not pay such amounts to any other Person.

(E) Disbursements; Payment of Purchase Price. Moneys delivered to the Trustee on a Purchase Date shall be applied at or before 3:00 p.m., New York City time, on such Purchase Date (or on a later date as provided in Section 4.10(D)(iii) hereof in the event the Credit Facility Provider
or Liquidity Facility Provider, as applicable, fails to honor a properly presented and conforming
drawing under the Credit Facility or Liquidity Facility, as applicable, to pay the Purchase Price of
tendered Certificates in connection with a Purchase Date) to pay the Purchase Price of Purchased
Certificates that are delivered to the Trustee at or prior to 10:00 a.m., New York City time, on such
Purchase Date in accordance with Section 4.7(B) hereof, or at or prior to 11:00 a.m., New York
City time, on such Purchase Date in accordance with Section 4.6(A) hereof, in immediately
available funds, as follows in the indicated order of application and, to the extent not so applied,
shall be held in the separate and segregated accounts of the Certificate Purchase Fund for the
benefit of the Holders of the Purchased Certificates which were to have been purchased:

FIRST: Moneys deposited in the Remarketing Proceeds Account of the Certificate
Purchase Fund with respect to the Certificates (representing the proceeds of the
remarketing by the Remarketing Agent with respect to the Certificates).

SECOND: Moneys, if any, deposited in the Liquidity Facility Account or the
Credit Facility Account, as applicable, of the Certificate Purchase Fund with respect to the
Certificates (representing the proceeds of a drawing under such Liquidity Facility or Credit
Facility).

THIRD: Moneys, if any, deposited in the District Purchase Account of the
Certificate Purchase Fund with respect to the Certificates (representing amounts paid by
the District to the Trustee for the purchase of such Certificates).

Any moneys held by the Trustee in the District Purchase Account remaining unclaimed by
the Holders of the Purchased Certificates which were to have been purchased for three (3) years
after the respective Purchase Date for such Certificates shall be paid and after all amounts due and
owing under the Certificateholder Agreement, if any, have been paid to the State of California in
accordance with applicable escheat law or, upon the written request of the District, to the District,
against written receipt therefor. The Holders of Purchased Certificates who have not yet claimed
money in respect of such Certificates shall thereafter be entitled to look only to the Trustee, to the
extent it shall hold moneys on deposit in the Certificate Purchase Fund, or to the extent moneys
have been transferred in accordance with this Section to the District or the State of California, as
applicable.

(F) Delivery of Purchased Certificates.

(i) The Remarketing Agent shall give Electronic Notice, promptly confirmed
in writing, to the Trustee on each date on which Certificates shall have been purchased
pursuant to Sections 4.6, 4.7, 4.8 and 4.9 hereof, specifying the principal amount of such
Certificates, if any, sold by the Remarketing Agent pursuant to Section 4.13(A) hereof
along with a list of such purchasers showing the names and Authorized Denominations in
which such Certificates shall be registered, and, if known to the Remarketing Agent, the
addresses and social security or taxpayer identification numbers of such purchasers. By
10:30 a.m., New York City time, on any Purchase Date in the case of Weekly Certificates
to be purchased pursuant to Section 4.6(A) hereof or any Certificate to be purchased
pursuant to Sections 4.8 and 4.9 hereof, and by 12:00 noon, New York City time, with
respect to Daily Certificates or Two Day Certificates to be purchased pursuant to
Section 4.6(A) hereof, and by 10:30 a.m., New York City time, on the Purchase Date in the case of Certificates to be purchased pursuant to Sections 4.7(A)(ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) hereof, a principal amount of Certificates equal to the amount of Purchased Certificates purchased with moneys from the Remarketing Proceeds Account shall be made available by the Trustee to the Remarketing Agent against payment therefor in immediately available funds. The Trustee shall prepare each Certificate to be so delivered in such names as directed by the Remarketing Agent pursuant to Section 4.10(C)(ii) hereof.

(ii) A principal amount of Certificates equal to the amount of Purchased Certificates purchased from moneys on deposit in the Liquidity Facility Account, if any, or the Credit Facility Account, if any, shall be delivered on the day of purchase by the Trustee to or as directed by the Liquidity Facility Provider or the Credit Facility Provider, as applicable. The Trustee shall register such Certificates in the name of the Liquidity Facility Provider or the Credit Facility Provider, as applicable, or as otherwise provided in the Liquidity Facility or the Credit Facility Agreement.

(iii) A principal amount of Certificates equal to the amount of Purchased Certificates purchased from moneys on deposit in the District Purchase Account, if any, shall be delivered on the day of such purchase by the Trustee to or as directed by the District. The Trustee shall register such Certificates in the name of the District or as otherwise directed by the District.

Section 4.11. Notice of Tender.

(A) Simultaneously with the giving (pursuant to Section 4.7(E) hereof) of notice of any mandatory tender of Certificates pursuant to Section 4.7(A) hereof, the Trustee shall give Electronic Notice, promptly confirmed by a written notice, to the District, the Remarketing Agent, the Credit Facility Provider, if any, and the Liquidity Facility Provider, if any, specifying the applicable Mandatory Purchase Date, the aggregate principal amount and Purchase Price of Certificates subject to mandatory tender on such Mandatory Purchase Date, and the portion, if any, of such Purchase Price representing accrued and unpaid interest on such Certificates to such Mandatory Purchase Date.

(B) On each Purchase Date, the Trustee shall determine the Additional Funding Amount, if any, at the times required by Section 4.10(D)(ii) hereof; and

(i) If a Liquidity Facility is in effect with respect to the Certificates on such Purchase Date, then (a) the Trustee shall draw upon the Liquidity Facility, at the times required by Section 4.10(D)(ii) hereof, moneys for the purchase of Certificates in the amount equal to the Additional Funding Amount by submitting to such Liquidity Facility Provider in accordance with such Liquidity Facility all such documents as are required for such purpose, and (b) the Trustee shall deposit the proceeds of such drawing upon the Liquidity Facility received by the Trustee from the Liquidity Facility Provider into the Liquidity Facility Account of the Certificate Purchase Fund with respect to the Certificates (for purposes of this paragraph (i), if the Credit Facility, if any, is also serving as a Liquidity
Facility, references in this paragraph to Liquidity Facility shall be deemed to refer to Credit Facility) on the Purchase Date at the times required by Section 4.10(D)(ii) hereof; or

(ii) If the District is obligated under the Sale Agreement or the terms of this Trust Agreement to provide the Purchase Price therefor, or the District otherwise elects in its sole discretion to provide the Purchase Price therefor, then the Trustee shall notify the District at the times required by Section 4.10(D)(ii) hereof that the amount of such excess is the amount payable by the District to the Trustee pursuant to Section 4.10(D)(iii) hereof for purposes of causing the Trustee to purchase, on behalf of the District, Certificates having a Purchase Price equal to such excess and, thereby, for the Trustee to have sufficient funds to pay the Purchase Price of all Certificates subject to purchase on such Purchase Date or, in the event Certificates representing interest accruing at a Daily Rate or a Weekly Rate are secured by a Liquidity Facility or a Credit Facility constituting a direct-pay letter of credit, and the Liquidity Facility Provider or the Credit Facility Provider, as applicable, fails to honor a properly presented and conforming drawing under the Liquidity Facility or the Credit Facility, as applicable, to pay the Purchase Price of tendered Certificates in connection with a Purchase Date, within 370 days after the date on which the tendered Certificates are required to be purchased. The Trustee shall deposit the amount received by the Trustee from the District for such purpose into the District Purchase Account of the Certificate Purchase Fund in accordance with Section 4.10(D)(iii) hereof; or

(iii) Notwithstanding anything to the contrary contained herein, if by 10:30 a.m., New York City time, on a Window Rate Optional Purchase Date, the Remarketing Agent despite its best efforts has been unable to remarket the Certificates to be purchased on such Window Rate Optional Purchase Date at par and the District, in its sole discretion, has not provided amounts for the purchase of such Certificates on the Window Rate Optional Purchase Date: (A) the Remarketing Agent shall deliver Electronic Notice to the Trustee, the Calculation Agent, the District, and the Authority by 10:45 a.m., New York City time, that such Window Rate Optional Purchase Date is deemed rescinded and that such failure shall not constitute an Event of Default and shall include in such notice the principal amount of such Certificates that will not be purchased on such Purchase Date; and (B) the Trustee shall promptly provide written notice to each Rating Agency of such rescission. If for any reason a Certificate for which a notice of tender for purchase pursuant to Section 4.6(A)(iv) hereof has been delivered is not purchased by the last day of the applicable Remarketing Window, then (1) all such Certificates representing interest accruing at a Window Rate shall be subject to mandatory tender for purchase on the last day of the Mandatory Purchase Window (or, if the last day is not a Business Day, the next succeeding Business Day) after such notice is received by the Remarketing Agent (a “Window Rate Mandatory Purchase Date”) at the Purchase Price, payable in immediately available funds, and (2) the Remarketing Agent shall give notice of such Window Rate Mandatory Purchase Date to the Trustee by Electronic Notice no later than the second Business Day after the end of the applicable Remarketing Window. The Trustee shall give Electronic Notice of the Window Rate Mandatory Purchase Date to the Holders of the Certificates, the District, the Authority, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, not later than the second Business Day after receiving notice of such Window Rate Mandatory Purchase Date from the Remarketing Agent. The failure to pay the Purchase Price of all tendered Window Certificates when due and payable
on a Window Rate Mandatory Purchase Date shall constitute an Event of Default. Notwithstanding the foregoing provisions of this paragraph, the Certificates shall not be subject to mandatory tender for purchase on a Window Rate Mandatory Purchase Date if they are otherwise subject to mandatory tender for purchase pursuant to Section 4.7 hereof after the last day of the Remarketing Window and before such Window Rate Mandatory Purchase Date.

(C) Any moneys remaining in the Remarketing Proceeds Account, the Liquidity Facility Account, the Credit Facility Account, or the District Purchase Account of the Certificate Purchase Fund with respect to the Certificates and representing (but not exceeding) the Purchase Price of Certificates subject to purchase on the applicable Purchase Date but not tendered and delivered for purchase on the applicable Purchase Date (following the payments from such Certificate Purchase Fund described in Section 4.10(E) hereof), shall be transferred by the Trustee to the Undelivered Certificate Payment Account of such Certificate Purchase Fund not later than 3:30 p.m., New York City time, on the applicable Purchase Date (and retained therein, subject to this Section 4.11, for application in accordance with Section 4.11(D) hereof). Any moneys remaining in the Remarketing Proceeds Account, the Liquidity Facility Account, the Credit Facility Account, and the District Purchase Account of the Certificate Purchase Fund with respect to the Certificates on the applicable Purchase Date (after the payments from such Certificate Purchase Fund described in Section 4.10(E) hereof and the transfer described in the preceding sentence of this Section 4.11(C)) shall be wire transferred by the Trustee, in immediately available funds, prior to the close of business on such Purchase Date, to the Remarketing Agent, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, and the District, respectively.

(D) Moneys transferred to the Undelivered Certificate Payment Account of the Certificate Purchase Fund with respect to the Certificates on any Purchase Date shall be applied, on or after such Purchase Date, by the Trustee to pay the Purchase Price of Undelivered Certificates in respect of which they were so transferred, upon the surrender of such Certificates to the Trustee for such purpose.

Section 4.12. Irrevocable Notice Deemed to be Tender of Certificate; Undelivered Certificates.

(A) The giving of notice by a Holder of a Certificate as provided in Section 4.6(A) hereof shall constitute the irrevocable tender for purchase of each such Certificate with respect to which such notice shall have been given, regardless of whether such Certificate is delivered to the Trustee for purchase on the relevant Purchase Date as provided in this Article IV.

(B) The Trustee may refuse to accept delivery of any such Certificates for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such Certificate as herein described. For purposes of this Article IV, the Trustee shall determine timely and proper delivery of such Certificates and the proper endorsement of such Certificates. Such determination shall be binding on the Holders of such Certificates, the District and the Remarketing Agent, absent manifest error. If any Holder of a Certificate who shall have given notice of tender of purchase pursuant to Section 4.6(A) hereof or any Holder of a Certificate subject to mandatory tender for purchase pursuant to Sections 4.7, 4.8
or 4.9 hereof shall fail to deliver such Certificate to the Trustee at the place and on the applicable Purchase Date and at the time specified in its notice or in the notice provided to the Holder, as applicable, or shall fail to deliver such Certificate properly endorsed, such Certificate shall constitute an Undelivered Certificate. If funds in the amount of the Purchase Price of the Undelivered Certificate are available for payment to the Holder thereof on the Purchase Date and at the time specified, from and after the Purchase Date and time of that required delivery, (i) the Undelivered Certificate shall be deemed to be purchased and shall no longer be deemed to be Outstanding under this Trust Agreement; (ii) interest shall no longer accrue thereon; and (iii) funds in the amount of the Purchase Price of the Undelivered Certificate shall be held by the Trustee in the Undelivered Certificate Payment Account for the benefit of the Holder thereof (provided that the Holder shall have no right to any investment earnings thereon), to be paid on delivery of the Undelivered Certificate to the Trustee at its Corporate Trust Office. Any funds held by the Trustee in the Undelivered Certificate Payment Account as described in clause (iii) of the preceding sentence shall be held uninvested and not commingled.

Section 4.13. Remarketing of Certificates; Notice of Interest Rates.

(A) Upon a mandatory tender or notice of the tender for purchase of Certificates, the Remarketing Agent shall offer for sale and use its best efforts to sell such Certificates, any such sale to be made on the date of such purchase in accordance with this Article IV at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the Purchase Date up to the Maximum Interest Rate. In connection with any remarketing of Certificates upon a mandatory tender thereof, such remarketing may be, with respect to such Certificates, in whole or with respect to a portion thereof, as directed by the District. No Certificates that have been tendered pursuant to Section 4.9 hereof shall be remarke ted as Weekly Certificates, Two Day Certificates or Daily Certificates unless and until (i) the Liquidity Facility or Credit Facility, if applicable, has been reinstated or extended for such Certificates; (ii) an Alternate Liquidity Facility or Alternate Credit Facility has been provided for such Certificates; or (iii) the District has agreed to provide a Self-Liquidity Arrangement for such Certificates.

(B) The Remarketing Agent shall offer for sale and use its best efforts to sell Liquidity Facility Certificates and Credit Facility Certificates at a price equal to the principal amount thereof plus accrued interest to the Purchase Date up to the Maximum Interest Rate. On such a Purchase Date, the proceeds of the remarketing of such Liquidity Facility Certificates or Credit Facility Certificates shall be received by the Trustee on behalf of the applicable Liquidity Facility Provider or Credit Facility Provider and paid in immediately available funds to the applicable Liquidity Facility Provider or Credit Facility Provider on such Purchase Date. On such a Purchase Date, the applicable Liquidity Facility Provider or Credit Facility Provider shall notify the Trustee of the Differential Interest Amount. The Trustee shall pay the Differential Interest Amount to the Liquidity Facility Provider or the Credit Facility Provider, as applicable, on the date of remarketing, but only from funds available under this Trust Agreement or otherwise provided by the District. Liquidity Facility Certificates or Credit Facility Certificates shall not be delivered upon remarketing unless the Trustee shall have received Electronic Notice from the Liquidity Facility Provider or the Credit Facility Provider that the Liquidity Facility or the Credit Facility, as applicable, has been reinstated in accordance with its terms to the full amount of the then Required Stated Amount.
Section 4.14. **The Remarketing Agent.** The Remarketing Agent shall be authorized by law to perform all the duties imposed upon it hereby. The Remarketing Agent or any successor shall signify its acceptance of the duties and obligations imposed upon it hereunder by entering into a Remarketing Agreement under which the Remarketing Agent will agree to:

(A) determine the interest rates and/or spreads, when required under this Trust Agreement, applicable to the Certificates and give notice to the Trustee of such rates, spreads and periods in accordance with Article II hereof;

(B) keep such books and records as shall be consistent with prudent industry practice; and

(C) use its best efforts to remarket the Certificates in accordance with this Trust Agreement.

The Remarketing Agent shall hold all amounts received by it in accordance with any remarketing of the Certificates pursuant to Section 4.13 hereof for the benefit of the Holders of such tendered Certificates and shall transfer such amounts to the Trustee for deposit to the Remarketing Proceeds Account created hereunder.

Section 4.15. **Qualifications of Remarketing Agent; Resignation; Removal**

(A) Any Remarketing Agent shall (i) be a member of the Financial Industry Regulatory Authority or shall be a commercial bank, a national banking association or a trust company, having a combined capital stock, surplus and undivided profits of at least $15,000,000, and (ii) be authorized by law to perform all the duties imposed upon it by this Trust Agreement.

(B) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving Electronic Notice to the Trustee, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, and the District. Such resignation shall take effect not earlier than the 30th day after the receipt by the District of the notice of resignation. The Remarketing Agent may be removed at the direction of the District at any time on 30 days prior Electronic Notice, by an instrument signed by the District, filed with the Remarketing Agent, the applicable Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Direct Purchaser, if any, and the Trustee. In the event that a successor Remarketing Agent has not been appointed by the District within 30 days following the notice of resignation or removal of the Remarketing Agent, the notice period for resignation or removal shall be extended for an additional 30 days, but in no event shall such notice period, including any such 30 day extension, be longer than 60 days.

Section 4.16. **Successor Remarketing Agents**

(A) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger,
consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Remarketing Agent hereunder.

(B) In the event that the Remarketing Agent has given notice of resignation or has been notified of its impending removal in accordance with Section 4.15(B) hereof, the District shall appoint a successor Remarketing Agent that meets the requirements of Section 4.15(A) above.

(C) In the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the District shall not have appointed its successor, and, if no appointment is made within 30 days, the Authority shall apply to a court of competent jurisdiction for such appointment. Nothing herein shall require any Remarketing Agent that has resigned or been removed to remain as Remarketing Agent beyond the notice period required by Section 4.15(B) hereof.

Section 4.17. Termination of Liquidity Facility or Credit Facility Prior to Expiration Date; Purchase by Liquidity Facility Provider or Credit Facility Provider; Notices

(A) The obligation of the Liquidity Facility Provider to provide funds for the purchase of tendered Certificates pursuant to the Liquidity Facility may be terminated or suspended automatically and without prior notice upon the occurrence of certain defaults as shall be set forth in the Liquidity Facility.

(B) If an Immediate Termination Date of the Liquidity Facility occurs, the Trustee shall, upon receiving written notice thereof, provide Electronic Notice to the District, the Remarketing Agent, the Credit Facility Provider, if any, and the Holders of all Outstanding Certificates the payment of the Purchase Price of which is secured by such Liquidity Facility that the Liquidity Facility has been terminated and the reasons therefor, that the Trustee will no longer be able to draw on the Liquidity Facility to purchase Certificates and the Liquidity Facility Provider will be under no obligation to advance funds or to purchase Certificates under the Liquidity Facility; provided, however, that if the Trustee is unable to provide Electronic Notice to the Certificateholders because it does not have the necessary contact information to do so, it shall provide written notice to the Certificateholders at the expense of such Certificateholders.

(C) Following the Noticed Termination Date, the Trustee will no longer be able to draw on the Liquidity Facility or Credit Facility, as applicable, to purchase Certificates. Promptly upon the receipt of notice of the proposed Noticed Termination Date from the Liquidity Facility Provider or the Credit Facility Provider, as applicable, but in no event more than three Business Days after receipt, the Trustee shall provide Electronic Notice to the District, the Remarketing Agent, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, and the Holders of all Outstanding Certificates secured by such Liquidity Facility or Credit Facility, as applicable, of the Noticed Termination Date and the proposed Mandatory Purchase Date for such Certificates, which Purchase Date shall be no later than five days prior to the Noticed Termination Date; provided, however, that if the Trustee is unable to provide Electronic Notice to the Certificateholders because it does not have the necessary contact information to do so, it shall provide written notice to the Certificateholders at the expense of such Certificateholders. In addition, at least 14 days prior to the Expiration Date of the Liquidity Facility or Credit Facility, as may be applicable, the Trustee
shall also give notice to the Holders of Outstanding Certificates of the Expiration Date for the Liquidity Facility or the Credit Facility and the proposed Mandatory Purchase Date for such Certificates, which shall be no later than one Business Day prior to the Expiration Date, or, in the case of a delivery of an Alternate Liquidity Facility or an Alternate Credit Facility, shall be the effective date of delivery of, and acceptance by the Trustee of, such Alternate Liquidity Facility or Alternate Credit Facility. Each such notice shall be given by Electronic Means and first class mail, at the expense of the District, and shall (i) state that the Trustee may no longer draw on the Liquidity Facility or Credit Facility (and the Liquidity Facility Provider or Credit Facility Provider will have no obligation) to purchase (or provide funds for the purchase of) Certificates after the proposed Noticed Termination Date or the Expiration Date, as the case may be, (ii) specify the Noticed Termination Date or the Expiration Date, as the case may be, and the applicable Mandatory Purchase Date, (iii) state that the Eligible Certificates are subject to mandatory tender for purchase on the applicable Mandatory Purchase Date, (iv) specify, if, but only if applicable, that the District will be the only party obligated to purchase Eligible Certificates after the Noticed Termination Date or the Expiration Date, and (v) state that all Eligible Certificates (if subject to mandatory purchase) must be delivered for purchase to the Trustee and that on such Mandatory Purchase Date, the Trustee expects to hold moneys equal to the Purchase Price for all Eligible Certificates in trust for the Holders of such Eligible Certificates, which moneys will be paid upon surrender of such Eligible Certificates to the Trustee. Any notice given substantially as provided in this subsection (C) shall be conclusively presumed to have been duly given, whether or not actually received by each Certificateholder.

(D) Upon receipt of the notice specified in (C) above, and if said notice provides that all Eligible Certificates are subject to mandatory purchase, all Holders of Outstanding Eligible Certificates shall be required to tender their Certificates to the Trustee for purchase on such Mandatory Purchase Date. In addition, in the event that a Holder of Certificates has delivered a tender notice pursuant to Section 4.6(A) hereof on or prior to the date on which the Liquidity Facility Provider or Credit Facility Provider has sent notice to the Trustee of the proposed Noticed Termination Date or the Expiration Date with a Purchase Date to occur on or after the date of such notice (but prior to the Noticed Termination Date or the Expiration Date), the Certificates to which such tender notice relates shall be purchased by the Trustee on such Purchase Date. Any Eligible Certificate so delivered shall be purchased by the Trustee at a Purchase Price equal to the principal amount thereof plus accrued interest to the Purchase Date (unless such date is an Interest Payment Date, in which case the Purchase Price will be the principal amount of such Certificate).

Section 4.18. Insufficient Funds for the Payment of Purchase Price

(A) If the funds available for the purchase of Certificates subject to purchase on a Purchase Date are insufficient to purchase all of such Certificates on such Purchase Date (including Undelivered Certificates), then no purchase of any Certificate shall occur on such Purchase Date and, on such Purchase Date, the Trustee shall (i) return all of such Certificates that were tendered to the Holders thereof, and (ii) return all moneys received by the Trustee for the purchase of such Certificates to the respective Persons that provided such moneys (in the respective amounts in which such moneys were so provided).

(B) The failure to purchase Certificates on a Purchase Date shall constitute an Event of Default, provided, however, the failure to purchase Certificates on any of the following dates or
events shall not constitute an Event of Default: (i) a Window Rate Optional Purchase Date; (ii) in connection with a VRO Interest Rate Period Failed Remarketing Event; (iii) a District Elective Purchase Date; (iv) an FRN Rate Soft Put Mandatory Purchase Date; and (v) a Conversion from Certificates operating in the Fixed Period. Provided, further, that failure of the District to pay when due the Additional Funding Amount pursuant to Section 4.10(D)(iii) hereof and Section 4.6 of the Sale Agreement in connection with a Purchase Date while the Certificates that represent interest accruing at a Daily Rate or Weekly Rate and are secured by a Liquidity Facility or a Credit Facility, as applicable, shall not constitute an Event of Default or a Purchase Agreement Default or a Sale Agreement Default if (i) the failure is the result of failure of the Liquidity Facility Provider or the Credit Facility Provider, as applicable, to honor a properly presented and conforming drawing under the Liquidity Facility or the Credit Facility, as applicable, to pay the Purchase Price of the tendered Certificates and (ii) the Additional Funding Amount required to pay the Purchase Price of the tendered Certificates with respect to which the failure occurred is deposited with the Trustee and applied to pay the Purchase Price of the tendered Certificates, within 370 days after the date on which such tendered Certificates were required to be purchased.

(C) Subject to the provisions of paragraphs (D) through (J) below, if Certificates are not purchased when required pursuant to Section 4.6(A) hereof or Section 4.7(A) hereof, all of the Certificates shall represent interest accruing at the Maximum Interest Rate from such Purchase Date until such date that all of such unpurchased Certificates have been purchased or payment of the principal of and interest thereon has otherwise been made in accordance with this Trust Agreement.

(D) If Daily Certificates, Two Day Certificates or Weekly Certificates are not purchased on a District Elective Purchase Date, then such Daily Certificates, Two Day Certificates or Weekly Certificates shall continue to represent interest accruing at a Daily Rate, Two Day Rate or Weekly Rate, as applicable, as determined as provided in Sections 2.4, 2.5 and 2.6 hereof, respectively.

(E) If FRN Rate Soft Put Certificates are not purchased on an FRN Rate Soft Put Mandatory Purchase Date, such failure to pay the Purchase Price shall not constitute an Event of Default under this Trust Agreement, and the FRN Rate Soft Put Certificates shall represent interest accruing at the FRN Rate, plus an increased FRN Spread as may be specified in connection with a Conversion to an FRN Period, or, if less, the Maximum Interest Rate, from such FRN Rate Soft Put Mandatory Purchase Date until such time, if any, as all of the FRN Rate Soft Put Certificates are remarshaled or paid.

(F) If Window Certificates are not purchased on a Window Rate Optional Purchase Date or on a District Elective Purchase Date, then such Window Certificates shall continue to represent interest accruing as determined in accordance with Section 2.12 hereof.

(G) If VRO Certificates are not purchased on a VRO Interest Rate Period Purchase Date, then such VRO Certificates shall continue to represent interest accruing as determined in accordance with Section 2.11 hereof.
(H) If Fixed Certificates are not purchased on a Purchase Date related to a Conversion of such Certificates, then such Fixed Certificates shall continue to represent interest accruing at the interest rates in effect prior to such proposed Conversion Date.

(I) Notwithstanding the foregoing, if Certificates representing interest accruing at a Daily Rate or a Weekly Rate are not purchased when required due to the Liquidity Facility Provider failing to honor a properly conforming draw to pay the Purchase Price of the Certificates pursuant to a Liquidity Facility (that is not also a Credit Facility), all of the Certificates shall represent interest accruing at the Maximum Interest Rate from such Purchase Date until such date that all such unpurchased Certificates have been purchased or payment of the principal of and interest thereon has otherwise been made in accordance with this Trust Agreement. Once all such unpurchased Certificates have been purchased or payment of the principal of and interest thereon has otherwise been made, and upon confirmation that the Liquidity Facility is still in effect, the applicable Remarketing Agent shall resume setting the Daily Rate or Weekly Rate, on the applicable Purchase Date, as set forth in Section 2.4 or Section 2.6 hereof, as applicable. The Remarketing Agent shall have no obligation to remarket Certificates during such period, unless the Remarketing Agent agrees in its sole discretion, at the request of the District, and can cease such remarketing at the Remarketing Agent’s sole option. The Trustee shall continue to take all such action available to it to obtain funds from the applicable Liquidity Facility Provider, the Remarketing Agent or the District to pay the Purchase Price of such tendered Certificates. When the Trustee has received sufficient funds to pay the Purchase Price of the tendered Certificates, the Trustee must immediately notify the Holders and the Holders must surrender their Certificates to the Trustee for payment of the Purchase Price of such tendered Certificates.

(J) Notwithstanding the foregoing, if Certificates representing interest accruing at a Daily Rate or a Weekly Rate are not purchased when required due to the Credit Facility Provider failing to honor a properly conforming draw to pay the Purchase Price of the Certificates pursuant to a Credit Facility constituting a direct-pay letter of credit, all of the Certificates shall represent interest accruing at the Maximum Interest Rate from such Purchase Date until such date that all such unpurchased Certificates have been purchased or payment of the principal of and interest thereon has otherwise been made in accordance with this Trust Agreement. Once all such unpurchased Certificates have been purchased or payment of the principal of and interest thereon has otherwise been made, and upon confirmation that the Credit Facility is still in effect, the applicable Remarketing Agent shall resume setting the Daily Rate or Weekly Rate, on the applicable Purchase Date, as set forth in Section 2.4 or Section 2.6 hereof, as applicable. The Remarketing Agent shall have no obligation to remarket Certificates during such period, unless the Remarketing Agent agrees in its sole discretion, at the request of the District, and can cease such remarketing at the Remarketing Agent’s sole option. The Trustee shall continue to take all such action available to it to obtain funds from the applicable Credit Facility Provider, the Remarketing Agent or the District to pay the Purchase Price of such tendered Certificates. When the Trustee has received sufficient funds to pay the Purchase Price of the tendered Certificates, the Trustee must immediately notify the Holders and the Holders must surrender their Certificates to the Trustee for payment of the Purchase Price of such tendered Certificates.
Section 4.19. **Liquidity Facility; Self-Liquidity Arrangement; Alternate Liquidity Facility**

(A) The District may provide for delivery to the Trustee of a Liquidity Facility pursuant to the provisions of Section 5.4 of the Sale Agreement or a Self-Liquidity Arrangement pursuant to Section 5.5 of the Sale Agreement. However, during a Fixed Mode, an FRN Mode or a Long-Term Mode a Liquidity Facility may only be delivered on the first day of a Fixed Period, FRN Period or Long-Term Interest Rate Period.

(B) Prior to the expiration or termination of a Liquidity Facility in accordance with the terms of that Liquidity Facility, the District may provide for the delivery to the Trustee of an Alternate Liquidity Facility pursuant to Section 5.4 of the Sale Agreement or a Self-Liquidity Arrangement pursuant to Section 5.5 of the Sale Agreement. Any Alternate Liquidity Facility or Self-Liquidity Arrangement delivered to the Trustee pursuant to this Section 4.19(B) shall meet the requirements of Section 5.4 of the Sale Agreement (Section 5.5 of the Sale Agreement in the case of the Self-Liquidity Arrangement) and shall be delivered as provided in the Sale Agreement and shall contain administrative provisions reasonably acceptable to the Remarketing Agent.

(C) If at any time there is delivered to the Trustee (i) an Alternate Liquidity Facility or Self-Liquidity Arrangement, (ii) the information, opinions and data required by Section 5.4 or 5.5 of the Sale Agreement, as the case may be, and (iii) all information required to give the notice of mandatory tender for purchase of the Certificates, then the Trustee shall accept such Alternate Liquidity Facility or Self-Liquidity Arrangement. The Trustee shall surrender the Liquidity Facility pursuant to Section 4.19(D) hereof.

(D) If an Alternate Liquidity Facility or a Self-Liquidity Arrangement is delivered to the Trustee and accepted pursuant to this Section 4.19, then the Trustee shall surrender the existing Liquidity Facility for cancellation; provided that no Liquidity Facility shall be surrendered until after the date on which Purchased Certificates have been purchased or deemed purchased in accordance with the provisions of this Trust Agreement. If a Liquidity Facility terminates or is no longer required to be maintained hereunder, the Trustee shall surrender such Liquidity Facility to the Liquidity Facility Provider for cancellation in accordance with the terms of the Liquidity Facility. Upon the defeasance of the Certificates pursuant to this Trust Agreement and if, at such time, the Certificates are no longer subject to tender for purchase, the Trustee shall surrender the Liquidity Facility, if any, to the Liquidity Facility Provider for cancellation in accordance with the terms of the Liquidity Facility. The Trustee shall comply with the procedures set forth in each Liquidity Facility relating to the termination thereof and shall deliver any certificates reducing the stated amount of the Liquidity Facility in accordance with the provisions thereof.

Section 4.20. **Credit Facility; Self-Liquidity Arrangement; Alternate Credit Facility; Delivery of Credit Facility to Replace Liquidity Facility or Self-Liquidity Arrangement; Surrender of Credit Facility**

(A) The District may provide for the delivery to the Trustee of a Credit Facility pursuant to Section 5.6 of the Sale Agreement or a Self-Liquidity Arrangement pursuant to Section 5.4 of the Sale Agreement. However, during a Fixed Mode, an FRN Mode or a Long-Term Mode a
Credit Facility may only be delivered on the first day of a Fixed Period, FRN Period or Long-Term Interest Rate Period.

(B) If there is delivered to the Trustee (i) an Alternate Credit Facility covering the Certificates in accordance with Section 5.6 of the Sale Agreement, (ii) a Favorable Opinion of Special Counsel, and (iii) if the Credit Facility then in effect with respect to the Certificates does not cover premiums due on the Certificates, and the Certificates would be subject to mandatory tender for purchase at a Purchase Price in excess of the principal amount thereof plus accrued and unpaid interest thereon to but not including the date of purchase, Eligible Moneys in an amount sufficient to pay the premium due on the Certificates, then the Trustee shall accept such Alternate Credit Facility.

(C) If a Liquidity Facility or a Self-Liquidity Arrangement is in effect with respect to the Certificates, a Credit Facility covering the Certificates may be delivered to the Trustee if all of the conditions set forth in the immediately preceding paragraph regarding the delivery of an Alternate Credit Facility for the Certificates are satisfied.

(D) If an Alternate Credit Facility or Self-Liquidity Arrangement is delivered to the Trustee and accepted pursuant to this Section 4.20, then the Trustee shall surrender the existing Credit Facility for cancellation; provided that no Credit Facility shall be surrendered until after the date on which Purchased Certificates have been purchased or deemed purchased in accordance with the provisions of this Trust Agreement. If a Credit Facility terminates or is no longer required to be maintained hereunder, the Trustee shall surrender such Credit Facility to the Credit Facility Provider for cancellation in accordance with the terms of the Credit Facility. Upon the defeasance of the Certificates pursuant to this Trust Agreement and if, at such time, the Certificates are no longer subject to tender for purchase, the Trustee shall surrender the Credit Facility to the Credit Facility Provider for cancellation in accordance with the terms of the Credit Facility. The Trustee shall comply with the procedures set forth in each Credit Facility relating to the termination thereof and shall deliver any certificates reducing the stated amount of the Credit Facility in accordance with the provisions thereof.

ARTICLE V
PLEDGE AND ASSIGNMENT; FUNDS AND ACCOUNTS

Section 5.1. Pledge and Assignment.

(A) Subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure, first, the payment of the principal and interest components with respect to the Certificates in accordance with their terms and the provisions of this Trust Agreement, all of the interests of the Authority in any amounts (including proceeds of the sale of Certificates) held in any fund or account established pursuant to this Trust Agreement (other than the Rebate Fund and the Certificate Purchase Fund, Administrative Fees and Expenses and any amounts paid pursuant to Section 7.3, Section 7.4 and Section 8.4 of the Sale Agreement) and, second, the payment of Reimbursement Obligations and the performance and observance of the obligations of the District under any Credit Facility or Liquidity Facility. Said pledge shall constitute a lien on and security
interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the Certificates, without any physical delivery thereof or further act.

(B) The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Certificates and for the benefit of any Credit Facility Provider or any Liquidity Facility Provider with respect to Reimbursement Obligations, (i) all its interests in the Installment Payments, (ii) all of its interests in any amounts held in any fund or account established pursuant to this Trust Agreement (excluding the Rebate Fund and the Certificate Purchase Fund, Administrative Fees and Expenses and any amounts paid pursuant to Section 7.3, Section 7.4 and Section 8.4 of the Sale Agreement), (ii) all of its right, title and interest in Obligation No. 12, and (iii) all of its right, title and interest in the Sale Agreement (except Reserved Rights).

(C) The Trustee shall be entitled to and shall collect and receive all of the Installment Payments on behalf of the Certificateholders. The Trustee also shall be entitled to and, subject to the provisions of this Trust Agreement, shall take all steps, actions and proceedings following a Sale Agreement Default to enforce all of the rights of the Authority (other than Reserved Rights), all of the obligations of the District under the Sale Agreement and all obligations of the Members of the Obligated Group under Obligation No. 12. Notwithstanding the foregoing, any amounts that would otherwise be subject to the security interest created pursuant to this Section 5.1, and that are transferred by the District directly to a Credit Facility Provider pursuant to a Credit Facility or to a Liquidity Facility Provider pursuant to a Liquidity Facility shall not be required to be collected and received by the Trustee and the Trustee shall have no duty to collect and receive such amounts.

(D) If on the fourth Business Day prior to any Payment Date, the Trustee has not received the full amount of the Installment Payment due pursuant to provisions set forth in Section 4.1 of the Sale Agreement, the Trustee shall promptly notify the Authorized Representative of the District of such insufficiency by electronic mail, telephone or telecopy and shall confirm such notification as soon thereafter as practicable by written notice.

Section 5.2. Interest Fund.

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Interest Fund;” provided, however, that while the Certificates are in a Direct Purchase Period and if the District is making all payments of principal of and interest represented by the Certificates directly to the Direct Purchaser, the Trustee is not required to establish the Interest Fund. The Trustee shall also establish and maintain a separate and segregated account in the Interest Fund designated the "Credit Facility Interest Account" (the "Credit Facility Interest Account"). Moneys in the Interest Fund shall be held, disbursed, allocated and applied by the Trustee only as provided in this Trust Agreement.

(B) With respect only to Certificates that have the benefit of a Credit Facility, the Trustee shall take such actions as are necessary to receive funds under the Credit Facility on each Interest Payment Date or prepayment date or upon acceleration in an amount equal to the amount of interest due and payable on the Eligible Certificates on such Interest Payment Date or prepayment date or upon acceleration. All proceeds of such interest drawings drawn under the
Credit Facility received in connection with the scheduled payment of interest represented by the Certificates, prepayment of the Certificates or the acceleration of the Certificates prior to their respective Certificate Payment Dates shall be deposited in the Credit Facility Interest Account and shall be held by the Trustee as agent and bailee for the sole benefit and security of the owners of the Certificates and until applied as herein provided.

(C) The Trustee shall deposit the following amounts in the Interest Fund when and as such amounts are received:

(1) the interest component of all Installment Payments made pursuant to Section 4.1 of the Sale Agreement, including the interest component of all cash prepayments of Installment Payments made pursuant to Section 4.5 of the Sale Agreement;

(2) the interest component of all payments made pursuant to Obligation No. 12;

(3) all interest, profits and other income received from the investment of moneys in the Interest Fund and the Reserve Fund; and

(4) any other amounts received by the Trustee pursuant to the Sale Agreement or Obligation No. 12 and not required to be deposited in any other fund or account established pursuant to this Trust Agreement.

(D) All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest component of the Installment Payments of the District as the same becomes due and payable pursuant to the Sale Agreement (including accrued interest with respect to any Certificates purchased or prepaid prior to their stated Certificate Payment Date pursuant to this Trust Agreement), which interest is payable to the Certificateholders as their respective Certificates become due and payable.

(E) With respect to Certificates that have the benefit of a Credit Facility, payments of interest on the Eligible Certificates (other than interest payable on Certificates to be paid out of the Prepayment Fund as described in Section 5.4 hereof) shall be made, to the extent available, from Eligible Moneys on deposit in the Credit Facility Interest Account of the Interest Fund. Interest on non-Eligible Certificates shall be paid from amounts deposited in the Interest Fund (other than in the Credit Facility Interest Account thereof) which represent Installment Payments or payments on Obligation No. 12. Any funds remaining on deposit in the Interest Fund (exclusive of the Credit Facility Interest Account) on any Interest Payment Date after payment in full of all interest due on the Certificates on such date shall be promptly transferred by the Trustee to the Credit Facility Provider, but not in excess of the amount necessary to reimburse the Credit Facility Provider for the interest portion of the draw on the Credit Facility on such date.

(F) In connection with any partial prepayment or discharge prior to the Certificate Payment Date, the Trustee may, at the written request of the District, use any amounts on deposit in the Interest Fund in excess of the amount needed to pay the interest component of all Installment Payments payable on the first Interest Payment Date occurring on or after the date of such prepayment or discharge to pay or provide for, with respect to the Certificates to be prepaid or discharged, the payment of the principal component of the Installment Payments and the Certificates by which they are represented, and the interest accrued with respect thereto (or to
reimburse the Credit Facility Provider for a draw on the Credit Facility) or as otherwise directed by the District if a Favorable Opinion of Special Counsel has been delivered.

Section 5.3. Principal Fund.

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Principal Fund,” provided, however, that during a Direct Purchase Period and if the District is making all payments of principal of and interest represented by the Certificates directly to the Direct Purchaser, the Trustee is not required to establish the Principal Fund. The Trustee shall also establish a separate account within the Principal Fund to be known as the “Credit Facility Principal Account” (the “Credit Facility Principal Account”). Moneys in the Principal Fund shall be held, disbursed, allocated and applied by the Trustee only as provided in this Trust Agreement.

(B) The Trustee shall deposit the following amounts in the Principal Fund when and as such amounts are received:

(1) the principal component of all Installment Payments made pursuant to Section 4.1 of the Sale Agreement, excluding the principal component of all cash prepayments of Installment Payments made pursuant to Section 4.5 of the Sale Agreement, which shall be deposited in the applicable account within the Prepayment Fund;

(2) the principal component of all payments made pursuant to Obligation No. 12, but excluding the principal component of all cash prepayments of Installment Payments made pursuant to Obligation No. 12, which shall be deposited in the applicable account within the Prepayment Fund; and

(3) all interest, profits and other income received from the investment of moneys in the Principal Fund.

(C) All amounts in the Principal Fund, including all amounts in the Sinking Account, if any, shall be used and withdrawn by the Trustee solely for the purpose of paying the principal component of the Installment Payments of the District as the same become due and payable pursuant to the Sale Agreement, which principal component is payable to the Certificateholders as their respective Certificates become due and payable.

(D) The Trustee shall establish and maintain within the Principal Fund a separate account for each Certificate Payment Date established for Term Certificates, if any, designated as the “_______ Sinking Account” (inserting therein the Certificate Payment Date of such Certificates).

(E) Subject to the terms and conditions set forth in this Section and in Section 2.15(F)(vi) and (vii) hereof, the Certificates with a Certificate Payment Date of November 1, 20[ ], shall be paid by application of Mandatory Sinking Account Payment in the following amounts and on the following dates:

<table>
<thead>
<tr>
<th>MANDATORY SINKING ACCOUNT PAYMENT DATE (November 1)</th>
<th>MANDATORY SINKING ACCOUNT PAYMENT</th>
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Subject to the terms and conditions set forth in this Section and in Section 2.15(F)(vi) and (vii) hereof, the Certificates with a Certificate Payment Date of November 1, 20\[
\]
 shall be paid by application of Mandatory Sinking Account Payment in the following amounts and on the following dates:

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<thead>
<tr>
<th>MANDATORY SINKING ACCOUNT PAYMENT DATE</th>
<th>MANDATORY SINKING ACCOUNT PAYMENT</th>
</tr>
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</table>
| (November 1)                          | \[
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* Certificate Payment Date

(F) On each Mandatory Sinking Account Payment date, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the prepayment (or payment on their stated Certificate Payment Date, as the case may be) of Certificates with such Certificate Payment Date, upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such prepayment, the Trustee may apply moneys in the Sinking Account to the purchase of Certificates with such Certificate Payment Date at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as directed in writing by the District, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Certificates. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Certificates with moneys in the Sinking Account established with respect to such Certificates, or, during said period and prior to giving said notice of prepayment, the District has deposited Certificates with the applicable Certificate Payment Date with the Trustee (together with a Request of the District to apply such Certificates so deposited to the Mandatory Sinking Account Payment due on said date with respect to the Certificates), or Certificates with the applicable Certificate Payment Date were at any time purchased or prepaid by the Trustee from the Prepayment Fund and allocable to said Mandatory Sinking Account Payment, such Certificates so purchased or deposited or prepaid shall be applied, to the extent of the full principal component thereof, to reduce said Mandatory Sinking Account Payment. All Certificates purchased or deposited pursuant to this subsection, if any, shall be cancelled by the Trustee. Certificates purchased from the Principal Fund, purchased or prepaid from the Prepayment Fund, or deposited by the District with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment established with respect to such Certificates, then as a credit against such future Mandatory Sinking Account Payments established with respect to such Certificates as the District may specify.

(G) With respect to Certificates that have the benefit of a Credit Facility, payments of the principal component represented by the Eligible Certificates shall be made, to the extent available, from Eligible Moneys on deposit in the Credit Facility Principal Account of the Principal Fund. The principal component represented by non-Eligible Certificates shall be paid from amounts deposited in the Principal Fund (other than in the Credit Facility Principal Account
thereof) which represent Installment Payments or payments on Obligation No. 12. Any funds remaining on deposit in the Principal Fund (exclusive of the Credit Facility Interest Account) on any Mandatory Sinking Account Payment date after payment in full of all the principal components represented by the Certificates on such date shall be promptly transferred by the Trustee to the Credit Facility Provider, but not in excess of the amount necessary to reimburse the Credit Facility Provider for the principal portion of the draw on the Credit Facility on such date.

(H) With respect to Certificates that have the benefit of a Credit Facility, the Trustee shall take such actions as are necessary to receive funds under the Credit Facility on the payment date of each Mandatory Sinking Account Payment established pursuant to Section 5.3(E) hereof and on their respect Certificate Payment Dates or acceleration of the Certificates in an amount equal to the amount of principal due and payable on such dates on the Eligible Certificates that have the benefit of a Credit Facility. All proceeds of drafts drawn under the Credit Facility to pay the principal of the Certificates shall be deposited in the Credit Facility Principal Account and shall be held by the Trustee as agent and bailee for the sole benefit and security of the owners of the Eligible Certificates until applied as provided herein.

(I) In connection with any partial prepayment or discharge prior to the Certificate Payment Date, the Trustee may, at the written request of the District, use any amounts on deposit in the Principal Fund in excess of the amount needed to pay the principal component of all Installment Payments payable on the first Mandatory Sinking Account Payment date occurring on or after the date of such prepayment or discharge to pay or provide for, with respect to the Certificates to be prepaid or discharged, the payment of the principal component of the Installment Payments and the Certificates by which they are represented, and the interest accrued with respect thereto (or to reimburse the Credit Facility Provider for a draw on the Credit Facility) or as otherwise directed by the District if a Favorable Opinion of Special Counsel has been delivered.

Section 5.4. Application of Prepayment Fund.

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Prepayment Fund.” The Trustee shall establish and maintain within the Prepayment Fund a separate “Optional Prepayment Account”, a separate “Special Prepayment Account” and a separate “Credit Facility Prepayment Account”, such fund and accounts to be established by the Trustee when funds are available for deposit therein.

(B) The Trustee shall deposit the following amounts in the Optional Prepayment Account when and as such amounts are received:

(1) the principal component of all cash prepayments of Installment Payments made pursuant to Section 4.5(c) of the Sale Agreement;

(2) except as provided in subsection (C) of this Section, the principal component of all cash prepayments made pursuant to Obligation No. 12; and

(3) all interest, profits and other income received from the investment of moneys in the Optional Prepayment Account.
(C) The Trustee shall deposit the following amounts in the Special Prepayment Account when and as such amounts are received:

(1) the principal component of all cash prepayments of Installment Payments made pursuant to Section 4.5(a) of the Sale Agreement which are specified in a Certificate of the District to have been derived from insurance or condemnation proceeds received with respect to the Facilities;

(2) the principal component of all cash prepayments made pursuant to Obligation No. 12 which are specified in a Statement of the District to have been derived from insurance or condemnation proceeds received with respect to the Facilities; and

(3) all interest, profits and other income received from the investment of moneys in the Special Prepayment Account.

(D) All amounts deposited in the Optional Prepayment Account and in the Special Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of prepaying the principal components of the Installment Payments of the District and thereby prepaying Certificates, in the manner and upon the terms and conditions specified in Article IV, at the next succeeding date of prepayment for which notice has not been given and at the Prepayment Prices then applicable to prepayments from the Optional Prepayment Account and the Special Prepayment Account, respectively; provided that, at any time prior to giving such notice of prepayment, the Trustee shall, upon direction of the District, apply such amounts to the purchase of Certificates at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the District may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Prepayment Price then applicable to the Certificates (or, if the Certificates are not then subject to prepayment, the par value of such Certificates); and provided further that in the case of the Optional Prepayment Account in lieu of prepayment at such next succeeding date of prepayment, or in combination therewith, amounts in such account may be transferred to the Principal Fund and credited against the principal components the Installment Payments in order of their due date as set forth in a Request of the District. All Certificates purchased or prepaid from the Prepayment Fund shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then as a credit against such future Mandatory Sinking Account Payments as the District may specify.

(E) With respect only to Certificates that have the benefit of a Credit Facility which are to be optionally prepaid in accordance with the provisions of this Trust Agreement, the Trustee shall take such actions as are necessary to receive funds under the Credit Facility in (i) an amount which is equal to the principal component represented by the Eligible Certificates to be so prepaid and (ii) an amount equal to the amount of interest due and owing on the Eligible Certificates to be so prepaid to the prepayment date. Notwithstanding the foregoing, the Trustee need not draw funds under the Credit Facility in order to optionally prepay Certificates, if an unqualified opinion of nationally recognized bankruptcy counsel is delivered to the Trustee to the effect that such condemnation, sale or insurance proceeds, as the case may be, are Eligible Moneys. All proceeds of drawings under the Credit Facility to make timely prepayments or payments due on Certificate Payment Dates (including payments of interest accruing on such Certificates to the prepayment date) shall be deposited in the Credit Facility Prepayment Account or Credit Facility Principal
Account, as applicable, and shall be held by the Trustee as agent and bailee for the sole benefit and security of the owners of the Eligible Certificates until applied as provided herein. With respect to Certificates that have the benefit of a Credit Facility, payments of the prepayment price of Eligible Certificates to be prepaid pursuant to Section 4.1 hereof (including interest accrued on such Certificates to the prepayment date) shall be made, to the extent available, from Eligible Moneys on deposit in the Credit Facility Prepayment Account.

Section 5.5. [Reserve Fund][TO BE CONFIRMED].

(A) The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Reserve Fund.”

(B) All amounts in the Reserve Fund shall be used and withdrawn solely by the Trustee solely: (i) for the purpose of making up any deficiency in the Interest Fund or the Principal Fund; or (ii) together with any other moneys available therefor, (x) for the prepayment of all Certificates then Outstanding, (y) for the defeasance or prepayment of all or a portion of the Certificates then Outstanding, provided, however, that if funds on deposit in the Reserve Fund are applied to the defeasance or prepayment of a portion of the Certificates, the amount on deposit in the Reserve Fund immediately subsequent to a partial defeasance or a partial prepayment shall equal the Reserve Fund Requirement applicable to the Certificates immediately subsequent to such partial defeasance or partial prepayment, or (z) for the payment of the final principal and interest payment with respect to the Certificates.

(C) In the event of a deficiency in the Interest Fund or the Principal Fund, the Trustee shall first withdraw and use the cash portion of the Reserve Fund, if any, to satisfy any such deficiency on or prior to the date such funds are needed to pay, when due, the principal and interest represented by the Certificates, including Mandatory Sinking Account Payments.

(D) In the event of any transfer from the Reserve Fund for the purpose of making up any deficiency in the Interest Fund or the Principal Fund, the Trustee shall promptly notify the Authorized Representative of the District of the amount of such transfer, and the District shall restore the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement no later than one hundred eighty (180) days from the date of such transfer, such amount to be paid to the Trustee in six (6) substantially equal monthly installments.

(E) All Investment Securities held on deposit in the Reserve Fund shall be valued by the Trustee at their market value and marked to market at least annually on or before November 1, commencing [November 1, 2023] (or more frequently as may be reasonably requested by the Authorized Representative of the District) and such valuation shall be reported promptly to the Authorized Representative of the District. Subject to Section 6.5, any amount in the Reserve Fund in excess of the Reserve Fund Requirement shall be transferred to the Interest Fund; provided, however, that the Trustee shall incur no liability for any sale of investments, or the consequences thereof, caused by the sale of an investment on deposit in the Reserve Fund in order to make such transfer.

(F) In lieu of maintaining and depositing moneys in the Reserve Fund, the District may deposit with the Trustee a letter of credit, (i) which is issued by a bank with a credit rating at the
time of deposit of such letter of credit into the Reserve Fund of “AA” (or its equivalent) of each Rating Agency then rating the Certificates, (ii) the repayment obligation with respect to which is not secured by a lien on assets of any Member of the Obligated Group senior to any lien which secures the Certificates, and (iii) which has a term of the lesser of at least five years from the date of delivery thereof or a term extending to the final Certificate Payment Date of the Certificates. Upon the receipt by the Trustee of a letter of credit satisfying the requirements of this subsection, the Trustee shall transfer any remaining balance in such Reserve Fund to the Project Fund to be used in accordance with a Favorable Opinion of Special Counsel. If the credit rating of the bank issuing such letter of credit falls below “A” (or its equivalent) of each Rating Agency then rating the Certificates, the District shall within twelve months of such downgrading either (i) substitute a new letter of credit satisfying the requirements of this subsection, (ii) fund the Reserve Fund through the deposit of cash or an irrevocable surety bond policy satisfying the requirements of subsection (G) below, or (iii) fund the Reserve Fund through a combination of (i) and (ii). At least six months prior to the expiration date of a letter of credit on deposit in the Reserve Fund, unless the letter of credit has a termination date extending to the final Certificate Payment Date of the Certificates, the District shall either (i) substitute a new letter of credit satisfying the requirements of this subsection, (ii) fund the Reserve Fund through the deposit of cash or an irrevocable surety bond policy satisfying the requirements of subsection (G) below, or (iii) fund the Reserve Fund through a combination of (i) and (ii). Any such letter of credit shall permit the Trustee to draw amounts thereunder for deposit in the Reserve Fund which, together with any moneys on deposit in or surety bond policy available to fund the Reserve Fund, are not less than the Reserve Fund Requirement and which may be applied to any purpose for which moneys in the Reserve Fund may be applied. The Trustee shall make a drawing on such letter of credit (i) whenever moneys are required for the purposes for which Reserve Fund moneys may be applied, and (ii) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys or an irrevocable surety bond are available in the Reserve Fund in the amount of the Reserve Fund Requirement.

(G) In lieu of maintaining and depositing moneys in the Reserve Fund, the District also may maintain in effect an irrevocable surety bond policy (i) which is issued by a bond insurance company with a claims-paying ability rating at the time of deposit of such surety bond policy into the Reserve Fund of “AA” (or its equivalent) of each Rating Agency then rating the Certificates, (ii) the repayment obligation with respect to which is not secured by a lien on assets of any Member of the Obligated Group senior to any lien which secures the Certificates, and (iii) which has a term of the lesser of at least five years from the date of delivery thereof or a term extending to the final Certificate Payment Date of the Certificates. Upon the receipt by the Trustee of an irrevocable surety bond policy satisfying the requirements of this subsection, the Trustee shall transfer any remaining balance in such Reserve Fund to the Project Fund to be used in accordance with a Favorable Opinion of Special Counsel. If the credit rating of the bond insurance company issuing such surety bond policy falls below “A” (or its equivalent) of each Rating Agency then rating the Certificates, the District shall either (i) substitute a new surety bond policy satisfying the requirements of this subsection, (ii) fund the Reserve Fund through the deposit of cash or a letter of credit satisfying the requirements of subsection (F) above, or (iii) fund the Reserve Fund through a combination of (i) and (ii). At least six months prior to the expiration date of a surety bond policy on deposit in the Reserve Fund unless the surety policy has a termination date extending to the Certificate Payment Date of the Certificates, the District shall either (i) substitute a new surety bond policy satisfying the requirements of this subsection, (ii) fund the Reserve Fund through the
deposit of cash or a letter of credit satisfying the requirements of subsection (F) above, or (iii) fund the Reserve Fund through a combination of (i) and (ii). Any such surety bond policy shall permit the Trustee to obtain amounts thereunder for deposit in the Reserve Fund which, together with any moneys on deposit in or letter of credit available to fund the Reserve Fund, are not less than the Reserve Fund Requirement and which may be applied to any purpose for which moneys in the Reserve Fund may be applied. The Trustee shall make a drawing on such surety bond policy (i) whenever moneys are required for the purposes for which the Reserve Fund moneys may be applied, and (ii) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys or a letter of credit are available in the Reserve Fund in the amount of the Reserve Fund Requirement.

(H) Moneys, if any, on deposit in the Reserve Fund shall be withdrawn and applied by the Trustee for the final payments of the principal and interest represented by the Certificates.

Section 5.6. Rebate Fund.

(A) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be specified by the Tax Certificate. Subject to the transfer provisions provided in subsection (E) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount, for payment to the federal government of the United States of America. None of the Authority, the District or the Holder of any Certificates shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.5 and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the District including supplying all necessary information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the District or the Authority with the terms of the Tax Certificate. The Authority shall be deemed conclusively to have complied with the provisions of this Section if it takes such action as may reasonably be requested by the District pursuant to the Tax Certificate.

(B) Upon the written direction of the Authorized Representative of the District, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the District, if and to the extent required, so that the balance in the Rebate Fund after such deposit shall equal the Rebate Amount. Computations of the Rebate Amount shall be furnished to the Trustee by or on behalf of the District in accordance with the Tax Certificate. The Trustee shall not be responsible for calculating Rebate Amounts or for the adequacy or correctness of any rebate report. The Trustee shall be deemed conclusively to have complied with the provisions of this Trust Agreement and any other agreement relating to the Certificates regarding calculation and payment of rebate if it follows the directions of the District, and it shall have no independent duty to review or enforce the District’s or the Authority’s compliance with such rebate requirements. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the District’s opinions, calculations, determinations, directions, and certifications required by this Section. Except to the extent expressly herein provided, the Trustee shall in no instance be responsible or liable for the tax treatment of the Certificates, the Authority’s or the District’s
compliance with the Internal Review Code of 1986, or any other tax consequences in connection with the Certificates.

(C) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the Rebate Fund or from other moneys provided to it by the District.

(D) Subject to Section 5.7, The Trustee shall invest all amounts held in the Rebate Fund in Investment Securities as directed in writing by the Authorized Representative of the District, subject to the restrictions set forth in the Tax Certificate. Neither the Authority nor the Trustee shall be liable for any consequences arising from such investment. Money shall not be transferred from the Rebate Fund except as provided in subsection (E) below.

(E) Upon receipt of the written directions of the Authorized Representative of the District, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Authorized Representative of the District so directs, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed in writing by the Authorized Representative of the District. Any funds remaining in the Rebate Fund after prepayment and payment of all of the Certificates and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the District.

(F) Notwithstanding any other provision of this Trust Agreement, including in particular Article X, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of this Section, Section 6.5 and the Tax Certificate shall survive the defeasance or payment in full of the Certificates.

Section 5.7. Investment of Moneys in Funds and Accounts. Subject to the limitations provided herein, all moneys in any of the funds and accounts established pursuant to this Trust Agreement shall be invested by the Trustee, upon the written direction of an Authorized Representative of the District (or upon the oral direction of an Authorized Representative of the District immediately confirmed in writing) (including a facsimile transmission), solely in Investment Securities (such direction to specify the particular investment to be made), if and to the extent then permitted by law. Investment Securities shall be purchased at such prices as the District may direct. All Investment Securities shall be acquired subject to the limitations set forth in Section 6.5, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the District. No Request of the District shall impose any duty on the Trustee inconsistent with its responsibilities hereunder. The Trustee may purchase from or sell to itself or to its affiliate, as principal or agent, any of the Investment Securities. In the absence of such written directions from the District, the Trustee shall hold all such funds uninvested as cash.

Moneys in the Reserve Fund shall be invested in Investment Securities maturing not later than five years from the date of investment. Moneys in all other funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Trust Agreement; provided, however, moneys in each of the funds may be invested in Investment Securities with a nominal maturity
date beyond the date such funds are expected to be needed (or in the case of the Reserve Fund beyond five years) as long as said Investment Securities by their terms allow the Trustee to obtain (at any time the Trustee is required to draw on the funds) the corpus thereto at no less than the purchase price thereof without any loss in value. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Trustee may deliver such Investment Securities for repurchase under such agreement.

Investment Securities acquired as an investment of moneys in any fund or account established under this Trust Agreement shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account all Investment Securities credited to such fund or account shall be valued by the Trustee at their market value and marked to market at least once each month. The Trustee may utilize and rely upon such securities pricing services available to it, including those within the accounting system utilized by the Trustee for the funds and accounts held by the Trustee hereunder.

All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in the Project Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in the Reserve Fund shall be deposited when received in the Interest Fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to this Trust Agreement shall be deposited when received in such fund or account. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Subject to Section 6.5 hereof, the Trustee may commingle any of the funds or accounts established pursuant to this Trust Agreement (other than the Rebate Fund) in a separate fund or funds for investment purposes only or to facilitate administration, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Trust Agreement, and provided further that the Trustee shall not be liable or responsible for any loss resulting from such commingling. The Trustee or any of its affiliates may act as sponsor, principal or agent in the making or disposing of any investment. The Trustee may sell at the best price reasonably obtainable by it, or present for prepayment, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be responsible or liable for any tax, fee, loss or other charge in connection with any investment, reinvestment or the liquidation thereof. In the event of a loss on the sale of such investments (after giving effect to any interest or other income thereon except to the extent theretofore paid to the District), the Trustee shall have no responsibility in respect of such loss except that the Trustee shall notify the District of the amount of such loss and the District shall promptly pay such amount to the Trustee to be credited as part of the moneys originally invested. The Authority and the District (by its execution of the Sale Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the District the right to receive brokerage confirmations of security transactions as they occur, the Authority and the District will not receive such confirmations to the
extent permitted by law. The Trustee will furnish the Authority (if requested by the Authority) and the District periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

All proceeds of remarketing of Certificates and all proceeds of a drawing upon the Credit Facility or the Liquidity Facility shall be held by the Trustee uninvested in an Eligible Account (as defined in Section 4.10(A)(iii) hereof) and shall not be commingled and shall be applied to the payment of Eligible Certificate only. Eligible Moneys held for the prepayment or payment of Certificates shall not be commingled with any other funds held under this Trust Agreement. In the event that an account required to be an Eligible Account no longer complies with the requirement, the Trustee should promptly upon having written notice of such event (and in any case, within not more than 30 calendar days of such notice) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

Section 5.8. Draws Upon Credit Facility.

(A) During the period that any of the Certificates are secured by a Credit Facility, all payments on the Eligible Certificates shall be made, to the extent available, first from draws on the Credit Facility, which shall be deposited directly in the Credit Facility Interest Account of the Interest Fund, the Credit Facility Principal Account of the Principal Fund or the Credit Facility Prepayment Account of the Prepayment Fund, as the case may be. Principal or Prepayment Price of and interest on non-Eligible Certificates may be paid from moneys other than Eligible Moneys. The Trustee is hereby instructed to draw amounts under the Credit Facility at such times hereinafter set forth and pursuant to draw requests submitted at such times so as to assure that Eligible Moneys will be available to make when due all payments of principal of and interest on the Eligible Certificates. The foregoing notwithstanding, Installment Payments or payments on the Obligation No. 12 to be applied to pay interest on, principal of or the prepayment price of non-Eligible Certificates shall be transferred when received to the Interest Fund, Principal Fund or Prepayment Fund, respectively, provided that no such payments shall be deposited in the Credit Facility Interest Account of the Interest Fund, the Credit Facility Principal Account of the Principal Fund or the Credit Facility Prepayment Account of the Prepayment Fund.

(B) If a Credit Facility is in effect with respect to the Certificates, prior to using any other funds, if the Credit Facility is a letter of credit, the Trustee shall, prior to 2:00 p.m., New York City time, on the Business Day immediately prior to each Interest Payment Date or each date on which principal or a Mandatory Sinking Account Payment is due, draw upon such Credit Facility in accordance with its terms in the amount necessary to fully provide for payments due on the Eligible Certificates on each such Interest Payment Date and on each date on which principal or a Mandatory Sinking Account Payment is due, as the case may be (for deposit in the Credit Facility Interest Account or the Credit Facility Principal Account, as applicable). In the event that the Credit Facility Provider fails to honor the drawing on the Credit Facility or the Credit Facility is repudiated with respect to the regularly scheduled payment of the principal of and interest represented by the Certificates, the Trustee shall apply amounts on deposit in the Interest Fund and the Principal Fund, as applicable, to pay principal of or interest represented by the Certificates, and shall make immediate demand upon the District for payment of such amounts in the event of any deficiency or shortfall in the Interest Fund and the Principal Fund, as applicable.
ARTICLE VI
PARTICULAR COVENANTS

Section 6.1.  **Extension of Payment of Certificates.**  Neither the District nor the Authority shall directly or indirectly extend or assent to the extension of the payment dates of any of the Installment Payments or the Certificates represented thereby or the time of payment of any of the claims for interest represented thereby by the purchase or funding of such Certificates or claims for interest or by any other arrangement and in case the payment dates of any of the Installment Payments or the Certificates represented thereby or the time of payment of any such claims for interest shall be extended, such Certificates or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Trust Agreement, except subject to the prior payment in full of the principal component of all of the Installment Payments or the Certificates represented thereby then Outstanding and of all claims for interest with respect thereto which shall not have been so extended.  Nothing in this Section shall be deemed to limit the right of the Authority to enter into a Supplemental Purchase Agreement for the purpose of providing for the payment or prepayment of any Installment Payments or the Certificates represented thereby.

Section 6.2.  **Against Encumbrances.**  The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the assets pledged or assigned under this Trust Agreement while any of the Certificates are Outstanding, except the pledge and assignment created by this Trust Agreement.  Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures or trust agreements for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Section 6.3.  **Power to Enter Into Trust Agreement, Purchase Agreement and Sale Agreement and Make Pledge and Assignment.**  The Authority is duly authorized pursuant to law to enter into this Trust Agreement, the Purchase Agreement and the Sale Agreement and to pledge and assign the assets purported to be pledged and assigned under this Trust Agreement in the manner and to the extent provided in this Trust Agreement.  The obligation of the Authority to provide for payment of the Certificates represented by the Installment Payments in accordance with the provisions of this Trust Agreement, the Purchase Agreement and the Sale Agreement are and will be the legal, valid and binding limited obligations of the Authority in accordance with the terms thereof and hereof, and the Authority, the District and Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of all of their respective interests in the assets and all the rights of the Certificateholders under this Trust Agreement against all claims and demands of all Persons whomsoever.

Section 6.4.  **Accounting Records and Financial Statements.**

(A)  The Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with sound corporate trust industry practice, in which accurate entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Certificates, the Purchase Agreement, the Sale Agreement, Obligation No. 12 and all funds and accounts established pursuant to this Trust Agreement.  Such books of record and account shall be available for inspection by the Authority, the Authorized Representative of the District and any
Certificateholder, or their agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances upon reasonable notice.

(B) The Trustee shall file and furnish to the Authority (if requested in a Request of the Authority) and to each Certificateholder, upon such Certificateholder’s written request and at such Certificateholder’s cost, on or before December 1 of each year, a statement (which need not be audited) covering receipts, disbursements, allocation and application of any moneys (including proceeds of Certificates) in any of the funds and accounts established pursuant to this Trust Agreement (a “Trustee Statement”) for the Certificate Year ended on the preceding November 1; provided, however, during each month during the term of this Trust Agreement, the Trustee shall furnish to the Authorized Representative of the District, and if requested by the Authority, the Authority, a Trustee Statement for the then preceding month.

Section 6.5. **Tax Covenant.** The Authority shall at all times do and perform all acts and things permitted by law and this Trust Agreement which are necessary or desirable in order to assure that the interest components represented by the Certificates (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Certificates. The covenants of the Authority made in this Section 6.5 are made partially in reliance on the representations of the District set forth herein, in the Sale Agreement and in the Tax Certificate.

The covenants of the Authority in this Section 6.5 are made solely in reliance on the representations and covenants of the District set forth in the Sale Agreement and the Tax Certificate and a default by the District with respect thereto shall not be considered a default of the Authority hereunder. The covenants of the Authority in this Section 6.5 are limited to those actions within its control, and further limited to the extent that the costs and expenses of taking such actions are borne by the District or a third party.

Section 6.6. **Enforcement of Sale Agreement and Obligation No. 12.** The Trustee shall promptly collect all amounts due from the District pursuant to the Sale Agreement and from the Members of the Obligated Group pursuant to Obligation No. 12, shall perform all duties imposed upon it pursuant to this Trust Agreement and the Sale Agreement, and shall be entitled to (subject to its rights and protections under this Trust Agreement) enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority (other than Reserved Rights) and all of the obligations of the District in and under the Sale Agreement and all obligations of the Members of the Obligated Group under Obligation No. 12.

Section 6.7. **Further Assurances.** The Authority shall make, execute and deliver any and all such further trust agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and for the better assuring and confirming unto the Holders of the Certificates of the rights and benefits provided in this Trust Agreement; provided sufficient funds are made available to the Authority by the District pursuant to the Sale Agreement for the payment of all reasonable fees and expenses incurred by the Authority in connection therewith.
Section 6.8. Replacement of Obligation No. 12. In the event of merger or consolidation of a Member of the Obligated Group with, or the sale or conveyance of all or substantially all of the assets of a Member of the Obligated Group to, any Person that is not a Member of the Obligated Group, in lieu of complying with Section 3.07 of the Master Indenture, or in the case of the affiliation of a Member of the Obligated Group with any other Person that is not a Member of the Obligated Group, Obligation No. 12 may be surrendered by the Trustee and delivered to the Master Trustee for cancellation upon receipt by the Trustee of the following:

(A) a Request of the Credit Group Representative (as defined in the Master Indenture) requesting such surrender and delivery and stating that the Members of the Obligated Group have become members of an obligated group, which contains entities other than the Members of the Obligated Group (herein referred to as the “New Group”), under a master indenture (other than the Master Indenture) (herein referred to as the “Replacement Master Indenture”) and that an obligation is being issued to the Trustee under the Replacement Master Indenture;

(B) a properly executed obligation (the “Replacement Obligation”) issued under the Replacement Master Indenture and registered in the name of the Trustee with the same tenor and effect as Obligation No. 12, duly authenticated by the master trustee under the Replacement Master Indenture;

(C) an Opinion of Counsel to the effect that the Replacement Obligation has been validly issued under the Replacement Master Indenture and constitutes a valid and binding obligation of the Members of the Obligated Group and each other member of the New Group, subject to customary exceptions;

(D) a copy of the Replacement Master Indenture, certified as a true and accurate copy by the master trustee under the Replacement Master Indenture;

(E) a Certificate of the District to the effect that, after giving effect to the Replacement Obligation and the termination of all Master Indenture Obligations (as such term is defined in the Master Indenture) under the original Master Indenture, the Certificates will be rated investment grade (i.e., BBB-, Baa3, or the equivalent) by all Rating Agencies then rating the Certificates at the request of the District;

(F) a Favorable Opinion of Special Counsel; and

(G) a certificate of the Master Trustee to the effect that Obligation No. 12 has been cancelled and that the Members of the Obligated Group have withdrawn from or otherwise ceased to be part of the Obligated Group.

Upon satisfying the above conditions, references herein, in the Certificates and in the Tax Certificate to (i) Obligation No. 12 shall become references to the Replacement Obligation, (ii) the Master Indenture shall become references to the Replacement Master Indenture, (iii) the Master Trustee shall become references to the master trustee under the Replacement Master Indenture, (iv) the Obligated Group and the Members of the Obligated Group shall become references to the New Group and the members of the New Group under the Replacement Master Indenture and (v) Supplement No. 12 shall become references to the supplemental master indenture pursuant to which the Replacement Obligation shall be issued.
Section 6.9. Continuing Disclosure. Pursuant to Section 6.1 of the Sale Agreement, the District has undertaken all responsibility for compliance with continuing disclosure requirements and the Authority shall have no liability to the Holders of the Certificates or any other Person with respect to Rule 15c2-12. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with Continuing Disclosure Agreement shall not constitute an Event of Default; however, upon receipt of indemnification acceptable to the Trustee, the Trustee shall, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least twenty-five (25%) aggregate principal amount of Outstanding Certificates, or any Holder or any Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under Section 6.1 of the Sale Agreement.

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Prepayment Price or interest with respect to the Certificates when and as the same shall become due and payable;

(B) subject to the provisions of Section 4.18(B) hereof, failure to pay the Purchase Price of any Certificate tendered pursuant to Article IV hereof when such payment is due;

(C) a Purchase Agreement Default or a Sale Agreement Default;

(D) default by the Authority or the District in the observance of any of the other covenants, agreements or conditions on its part in this Trust Agreement contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Authorized Representative of the District by the Trustee, or to the Authority and the Authorized Representative of the District and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding; provided that, if such default cannot with due diligence and dispatch be cured within 60 days but can be cured, the failure of the Authority or the District to remedy such default within such 60 day period shall not constitute a default hereunder if the Trustee is provided with a certification from the Authority or the District, as the case may be, to the effect that such default cannot with due diligence and dispatch be cured within 60 days but can be cured and the Authority or the District, as the case may be, shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch within 180 days of the delivery of such default notice;

(E) receipt by the Trustee of written notice from the Credit Facility Provider stating that an event of default has occurred under the Credit Facility Agreement and directing the Trustee, with respect to the Outstanding Certificates secured by such Credit Facility, to declare the principal component of the Installment Payments and the Certificates by which they are represented, and the interest accrued thereto, immediately due and payable;
(F) receipt by the Trustee of a written notice from the Credit Facility Provider that amounts available to pay interest under the Credit Facility will not be reinstated following a drawing thereunder to pay interest and directing the Trustee, with respect to the Outstanding Certificates secured by such Credit Facility, to declare the principal component of the Installment Payments and the Certificates by which they are represented, and the interest accrued thereto, immediately due and payable;

(G) during a Direct Purchase Period, receipt by the Trustee of written notice from the Direct Purchaser that an event of default has occurred under the Certificateholder Agreement, which notice may in addition instruct the Trustee to declare the principal component of all of the Installment Payments and the Certificates by which they are represented, and the interest accrued thereto, immediately due and payable pursuant to Section 7.2 hereof or instruct the Trustee to subject the Certificates to mandatory tender pursuant to Section 4.8(B) hereof; or

(H) a declaration by the Master Trustee of the entire principal amount of all Outstanding Master Indenture Obligations (as defined in the Master Indenture) and the interest accrued thereon to be immediately due and payable.

Upon actual knowledge by the Trustee at its Corporate Trust Office of the existence of any Event of Default, the Trustee shall notify the Authorized Representative of the District, the Authority, the Master Trustee, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Remarketing Agent, if any, and the Direct Purchaser, if any, in writing as soon as practicable; provided, however, that the Trustee need not provide notice of any Sale Agreement Default if the District has expressly acknowledged the existence of such Sale Agreement Default in a writing delivered to the Trustee, the Authority, the Master Trustee, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Remarketing Agent, if any, and the Direct Purchaser, if any.

Section 7.2. Acceleration of Maturities.

(A) If any Event of Default described in Section 7.1(A), (B), (E), (F), (G) or (H) shall occur, then the Trustee, at the direction of or with the written consent of the Credit Facility Provider, if any (and if the Credit Facility Provider has not failed to honor a properly presented and conforming draw under the Credit Facility), or, during a Direct Purchase Period, at the direction of or with the written consent of the Direct Purchaser, shall, upon notice in writing to the Authorized Representatives of the District and the Authority, declare the principal component of all of the Installment Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable. If the Trustee declares the principal component of all of the Installment Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, the Trustee also, in its capacity as the holder of Obligation No. 12, shall request the Master Trustee to declare the aggregate principal amount of Obligation No. 12 and the interest accrued thereon to be immediately due and payable in accordance with Section 4.02 of the Master Indenture.
(B) If any Event of Default described in Section 7.1(C) shall occur, then the Trustee may take whatever action the Authority or the District would be required to take pursuant to the Purchase Agreement or the Sale Agreement, as applicable, in order to remedy such Purchase Agreement Default or Sale Agreement Default. In addition, if an Event of Default described in Section 7.1(C) hereof shall occur, the Trustee, at the direction of or with the written consent of the Credit Facility Provider, if any (and if the Credit Facility Provider has not failed to honor a properly presented and conforming draw under the Credit Facility), or, during a Direct Purchase Period, at the direction of or with the written consent of the Direct Purchaser, or, upon the written direction of the Holders of a majority in aggregate principal amount of the Certificates then Outstanding, shall declare the principal component of all of the Installment Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable. If the Trustee declares the principal component of all of the Installment Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, the Trustee also, in its capacity as the holder of Obligation No. 12, shall request the Master Trustee to declare the aggregate principal amount of Obligation No. 12 and the interest accrued thereon to be immediately due and payable in accordance with Section 4.02 of the Master Indenture.

(C) If any Event of Default described in Section 7.1(D) shall occur, the Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Authority with any covenant, agreement or condition by the Authority under this Trust Agreement. In addition, if an Event of Default described in Section 7.1(D) hereof shall occur, the Trustee, at the direction of or with the written consent of the Credit Facility Provider, if any (and if the Credit Facility Provider has not failed to honor a properly presented and conforming draw under the Credit Facility), or, during a Direct Purchase Period, at the direction of or with the written consent of the Direct Purchaser, or, upon the written direction of the Holders of a majority in aggregate principal amount of the Certificates then Outstanding, shall declare the principal component of all of the Installment Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable. If the Trustee declares the principal component of all of the Installment Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, the Trustee also, in its capacity as the holder of Obligation No. 12, shall request the Master Trustee to declare the aggregate principal amount of Obligation No. 12 and the interest accrued thereon to be immediately due and payable in accordance with Section 4.02 of the Master Indenture.

(D) Any declaration by the Trustee that the principal component of all of the Installment Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Trustee a sum sufficient to pay all Installment Payments the payment of which is overdue, with interest represented by such overdue principal component of such overdue Installment Payments at the rate represented by the respective Certificates, and the charges, fees and expenses of the Trustee, and if the Trustee has received notification from the Master Trustee that the declaration
of acceleration of Obligation No. 12 has been annulled pursuant to the Master Indenture, and any and all other defaults known to the Trustee (other than in the payment of the Installment Payments due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, the Trustee shall, with the written consent of the Credit Facility Provider, if a Credit Facility is then in effect and the Credit Facility Provider has not failed to honor a properly presented and conforming draw under the Credit Facility, and upon receipt by the Trustee of written confirmation that the Credit Facility has been reinstated, and in every such case, the Holders of not less than a majority in aggregate principal amount with respect to the Certificates then Outstanding, by written notice to the Authorized Representative of the District, the Authority and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Holders of all of the Certificates, rescind and annul such declaration and its consequences and waive such Event of Default; provided that no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon. In the case of any such rescission and annulment, the District, the Authority, the Trustee and the Holders shall be restored to their former positions and rights under this Trust Agreement.

(E) Notwithstanding any other provision of this Trust Agreement or any right, power or remedy existing at law or in equity or by statute, the Trustee shall not under any circumstance in which an Event of Default has occurred declare the principal component of all of the Installment Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, except in the event that the Master Trustee shall have declared the principal amount of Obligation No. 12 and all interest due thereon immediately due and payable in accordance with the Master Indenture.

(F) Notwithstanding anything contained herein to the contrary, however, while a Credit Facility is in effect or with respect to Direct Purchase Certificates, there shall be no declaration that the principal component of all of the Installment Payments and the Certificates by which they are represented then Outstanding, and the interest accrued with respect thereto, to be due and payable immediately, nor shall any Event of Default be waived without the prior written consent or direction to such action by the Credit Facility Provider or the Direct Purchaser, as applicable.

Section 7.3. Application of Funds After Default. If an Event of Default shall occur and be continuing, all funds then held or thereafter received by the Trustee under any of the provisions of this Trust Agreement (subject to Section 11.11 and excluding amounts, if any, on deposit in the Rebate Fund or required to be deposited into the Certificate Purchase Fund) shall be applied by the Trustee as follows and in the following order:

(1) To the payment of any expenses or charges necessary in the opinion of the Trustee to protect the interests of the Holders of the Certificates and payment of fees, charges and expenses and other amounts owed to the Trustee hereunder or under the Sale Agreement (including fees, expenses and disbursements of its counsel, agents and advisors) incurred in and about the performance of its powers and duties under this Trust Agreement; and

(2) To the payment of the principal or Prepayment Price of and interest then due with respect to the Certificates (upon presentation of the Certificates to be paid, and stamping
thereon of the payment if only partially paid, or surrender thereof if fully paid) and any Reimbursement Obligations related thereto subject to the provisions of this Trust Agreement as follows:

(a) Unless the principal component of the Installment Payments shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments (and any Reimbursement Obligations related to drawings on the Credit Facility for payment of interest), and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal (including Mandatory Sinking Account Payments) or Prepayment Price with respect to any Certificates which shall have become due, whether on their stated Certificate Payment Date or Certificate Payment Dates or by call for prepayment, in the order of their due dates (and any Reimbursement Obligations related to drawings on the Credit Facility for payment of principal (including Mandatory Sinking Account Payments) or Purchase Price or Prepayment Price of any Certificates), with interest represented by the overdue principal at the rate represented by the respective Certificates or such Reimbursement Obligations, and, if the amount available shall not be sufficient to pay in full all the Certificates due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Prepayment Price due on such date to the Persons entitled thereto, without any discrimination or preference; and

Third: During a Direct Purchase Period, to the payment to the Direct Purchaser (if any) of any amounts payable under the Certificateholder Agreement or during any period in which a Credit Facility or Liquidity Facility is in effect, to the Credit Facility Provider or Liquidity Facility Provider of any amounts a payable under the Credit Facility or Liquidity Facility, as applicable.

(b) If the principal component of the Installment Payments shall have become or have been declared due and payable,

First: to the payment of the principal and interest then due and unpaid with respect to the Certificates (and Reimbursement Obligations), with interest represented by the overdue principal at the rate represented by the respective Certificates or such Reimbursement Obligations, 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 of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, according to the amounts
due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference; and

Second: During a Direct Purchase Period, to the payment to the Direct Purchaser (if any) of any amounts payable under the Certificateholder Agreement, or during any period in which a Credit Facility or Liquidity Facility is in effect, to the Credit Facility Provider or Liquidity Facility Provider of any amounts a payable under the Credit Facility or Liquidity Facility, as applicable.

Section 7.4. Trustee to Represent Certificateholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Certificates, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Certificates for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Certificates, this Trust Agreement, the Purchase Agreement, the Sale Agreement, Obligation No. 12, and applicable provisions of any applicable law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Certificateholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Certificates then Outstanding and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under this Trust Agreement, the Purchase Agreement, the Sale Agreement, Obligation No. 12, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the assets pledged under this Trust Agreement, pending such proceedings. All rights of action under this Trust Agreement or the Certificates or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Certificates, subject to the provisions of this Trust Agreement.

Section 7.5. Certificateholders’ Direction of Proceedings. Anything in this Trust Agreement to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Certificates then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Trust Agreement, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction or would otherwise subject the Trustee to personal liability.

Section 7.6. Limitation on Certificateholders’ Right to Sue. No Holder of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Trust Agreement, the Purchase
Agreement, the Sale Agreement, Obligation No. 12, or any applicable law with respect to such Certificate, unless: (1) the Credit Facility Provider, if any, or such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Credit Facility Provider, if any, or the Holders of a majority in aggregate principal amount of the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Credit Facility Provider, if any, or such Holder or said Holders shall have tendered to the Trustee reasonable indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Certificates of any remedy hereunder or under law; it being understood and intended and being expressly covenanted by the taker and Holder of every Certificate, with every other taker and Holder with the Trustee that no one or more Holders of Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Trust Agreement, Purchase Agreement, Sale Agreement or Obligation No. 12, to affect, disturb or prejudice the security or rights of this Trust Agreement or the rights of any other Holders of Certificates, or to enforce any right under this Trust Agreement, the Purchase Agreement, the Sale Agreement, Obligation No. 12 or applicable law with respect to the Certificates, except in the manner herein provided (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders), and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Certificates, subject to the provisions of this Trust Agreement (including Section 6.1).

Notwithstanding any other provision in this Trust Agreement, each Certificateholder shall have the right to receive payment of the principal and interest represented by said Certificateholder’s Certificate at the respective dates on which the same become due and payable in accordance with the terms, from the source and in the manner provided in such Certificate and in this Trust Agreement, and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Certificateholder.

**Section 7.7. Termination of Proceedings.** In case any proceedings taken by the Trustee or any one or more Certificateholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the Authority, the District, the Trustee, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Direct Purchaser, if any, and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the District, the Trustee and the Certificateholders shall continue as though no such proceedings had been taken.

**Section 7.8. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee or to the Holders of the Certificates is intended to be exclusive of any other remedy or
remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.9. **No Waiver of Default.** No delay or omission of the Trustee or of any Holder of the Certificates to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Trust Agreement to the Trustee or to the Holders of the Certificates may be exercised from time to time and as often as may be deemed expedient.

Section 7.10. **Waivers of Events of Default.** Except as otherwise provided herein, the Trustee in its discretion may, or, upon the written request of the Credit Facility Provider or with the consent and upon the written request of the Holders of not less than a majority in aggregate principal amount of all Certificates Outstanding shall, waive any Event of Default hereunder and rescind its consequences. In the case of any such waiver and rescission, the Authority, the District, the Trustee and the Certificateholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver and rescission shall extend to any subsequent or other default, or impair any right consequent thereon. All waivers under this Trust Agreement shall be in writing and a copy thereof shall be delivered to the Authority and the District.

Notwithstanding anything herein to the contrary, while a Credit Facility is in effect, the Trustee shall not waive any Event of Default unless the Credit Facility Provider shall have rescinded in writing any default notice given by it and the Credit Facility shall have been reinstated in full. Notwithstanding anything herein to the contrary, with respect to Direct Purchase Certificates, the Trustee shall not waive any Event of Default unless the Direct Purchaser, if any, shall have consented to such waiver in writing and all amounts due and owing under the Certificateholder Agreement have been paid.

Section 7.11. **Consent of the Credit Facility Provider; Action at Direction of the Credit Facility Provider.** If a Credit Facility is in effect, unless the rights of the Credit Facility Provider are not in effect as provided in Section 11.17 hereof, the written consent of the Credit Facility Provider shall be required (a) for the initiation by Certificateholders of any action to be undertaken by the Trustee at the Certificateholders’ request, which under this Trust Agreement, the Purchase Agreement, the Sale Agreement or the Master Indenture requires the written approval or consent of or can be initiated by the holders of Certificates, (b) for the purposes of consents and directing action under the Purchase Agreement, the Sale Agreement or the Master Indenture, and (c) for the purpose of acceleration of the principal component of the Installment Payments of the Certificates or Obligation No. 12, the annulment of any declaration of acceleration, and waivers of Events of Default. If a Credit Facility is in effect, unless the rights of the Credit Facility Provider are not in effect as provided in Section 11.17 hereof, the Trustee shall, upon the written direction of the Credit Facility Provider and upon being indemnified as provided in Section 8.7 hereof, take any action available to the Trustee hereunder or under the Purchase Agreement, the Sale Agreement or the Master Indenture.

Unless otherwise provided in this Section 7.11, the granting of the Credit Facility Provider’s consent shall be in lieu of Certificateholder consent, whenever this Trust Agreement
otherwise requires Certificateholder consent, including without limitation, (i) the execution and
delivery of any Supplemental Trust Agreement or any amendment, supplement or change to or
modification of the Purchase Agreement, the Sale Agreement, the Obligation No. 12 or the Master
Indenture; (ii) the removal of the Trustee and the selection and appointment of any successor
Trustee; and (iii) the initiation or approval of any action not described in (i) or (ii) above which
requires the consent of the Holders.

Section 7.12. Rights of Holder When Certificates in Direct Purchase Period.
Notwithstanding anything contained in this Article VII or this Trust Agreement to the contrary and
subject to the provisions of the Master Indenture, during any period when the Certificates are in
the Direct Purchase Mode, the Direct Purchaser shall have the right to enforce the rights and
remedies provided to the Trustee hereunder, to consent to amendments to this Trust Agreement,
the Purchase Agreement and the Sale Agreement and to control all proceedings relating to the
exercise of such rights and remedies in its own name and not subject to the restrictions contained
herein.

Section 7.13. No Obligation of Authority to Enforce Assigned Rights.
Notwithstanding anything to the contrary in this Trust Agreement, the Authority shall have no
obligation to and instead the Trustee may, without further direction from the Authority, take any
and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than
Reserved Rights) under this Trust Agreement, the Purchase Agreement or the Sale Agreement,
including, without limitation, the rights to enforce the remedies upon the occurrence and
continuation of an Event of Default and the obligations of the District under this Trust Agreement,
the Purchase Agreement or the Sale Agreement and the Members of the Obligated Group under
Obligation No. 12.

ARTICLE VIII
THE TRUSTEE

Section 8.1. Duties, Immunities and Liabilities of Trustee. U.S. Bank Trust
Company, National Association is hereby appointed as Trustee.

(A) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all
Events of Default which may have occurred, perform such duties and only such duties as are
specifically set forth in this Trust Agreement, and, except to the extent required by law, no implied
covenants or obligations shall be read into this Trust Agreement against the Trustee. The Trustee
shall, during the existence of any Event of Default (which has not been cured or waived), exercise
such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care
and skill in its exercise, as a prudent person would exercise or use under the circumstances in the
conduct of such person’s own affairs.

(B) The Authority may, and upon written request of the Authorized Representative of
the District shall, remove the Trustee at any time unless an Event of Default shall have occurred
and then be continuing, and shall remove the Trustee if at any time requested to do so by an
instrument or concurrent instruments in writing signed by the Holders of not less than a majority
in aggregate principal amount of the Certificates then Outstanding (or signed by their attorneys
duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance
with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a
bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public
officer shall take control or charge of the Trustee or of its property or affairs for the purpose of
rehabilitation, conservation or liquidation, in each case by giving written notice of such removal
to the Trustee and the Authorized Representative of the District, and thereupon the Authority, upon
the written request of the Authorized Representative of the District, shall appoint a successor
Trustee by an instrument in writing. In addition, any Holder may at any time petition any court of
competent jurisdiction for removal of the Trustee for cause.

(C) The Trustee may at any time resign by giving written notice of such resignation to
the Authority and the Authorized Representative of the District and by giving the Holders notice
of such resignation by Electronic Means or by mail, first class postage prepaid, at the addresses
for such Holders listed on the registration books kept by the Trustee. Upon receiving such notice
of resignation, the Authority, at the written direction of the Authorized Representative of the
District, shall promptly appoint a successor Trustee by an instrument in writing.

(D) The Trustee shall not be relieved of its duties until such successor Trustee has
accepted appointment. Any removal or resignation of the Trustee and appointment of a successor
Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no
successor Trustee shall have been appointed and have accepted appointment within thirty (30) days
giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any
Holder (on behalf of himself and all other Holders) may, at the expense of the District, petition
any court of competent jurisdiction for the appointment of a successor Trustee, and such court may
thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any
successor Trustee appointed under this Trust Agreement shall signify its acceptance of such
appointment by executing and delivering to the Authority, the Authorized Representative of the
District, and to its predecessor Trustee a written acceptance thereof, and thereupon such successor
Trustee, without any further act, deed or conveyance, shall become vested with all the moneys,
estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with
like effect as if originally named Trustee herein; but, nevertheless at the Request of the District or
the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and
all instruments of conveyance or further assurance and do such other things as may reasonably be
required for more fully and certainly vesting in and confirming to such successor Trustee all the
right, title and interest of such predecessor Trustee in and to any property held by it under this
Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any
money or other property subject to the trusts and conditions herein set forth. Upon request of the
successor Trustee, the Authority and the District shall execute and deliver any and all instruments
as may be reasonably required for more fully and certainly vesting in and confirming to such
successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and
obligations. Upon acceptance of appointment by a successor Trustee as provided in this
subsection, the District shall give notice of the succession of such Trustee to the trusts hereunder
to the Holders at the addresses shown on the Registration Books maintained by the Trustee. If the
District fails to give such notice within fifteen (15) days after acceptance of appointment by the
successor Trustee, the successor Trustee shall cause such notice to be delivered at the expense of
the District.
(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be organization or entity having the powers of a trust company having a corporate trust office in the State, having a combined capital and surplus (or the parent holding company of which has a combined capital and surplus) of at least fifty million dollars ($50,000,000), and subject to supervision or examination by federal or state authority. If such organization or entity publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such organization or entity shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(F) The parties to this Trust Agreement desire that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State of California) denying or restricting the right of any organization or entity to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Trust Agreement, the Purchase Agreement, the Sale Agreement or related documents and, in particular, in case of an enforcement of any remedy in an Event of Default hereunder or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional institution or individual as a Co-Trustee. The following provisions of this subsection (F) are adapted to these ends.

Notwithstanding any other provisions of this Trust Agreement, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the trust may at the time be located, the Trustee shall have the power and may execute and deliver all instruments necessary to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the trust, and to vest in such Person or Persons, in such capacity and for the benefit of the Certificateholders, such title to the trust, or any part hereof, and subject to the other provisions of this Section, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 8.1(E) and no notice to Certificateholders of the appointment of any co-trustee or separate trustee shall be required.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the trust or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;
(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Trust Agreement and the conditions of this Article. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Trust Agreement, specifically including every provision of this Trust Agreement relating to the conduct of, affecting the liability of, or affording protection or rights (including the rights to compensation, reimbursement and indemnification hereunder) to, the Trustee. Every such instrument shall be filed with the Trustee.

Section 8.2. (d) Any separate trustee or co-trustee may at any time constitute the Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Trust Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee. Merger or Consolidation. Any organization or entity into which the Trustee may be merged or converted or with which it may be consolidated or any organization or entity resulting from any merger, conversion or consolidation to which it shall be a party or any organization or entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business and assets as a whole or substantially as a whole, provided such company shall be eligible under subsection (E) of Section 8.1, shall be the successor to such Trustee under this Trust Agreement and will have and succeed to the rights, powers, duties, immunities and privileges as its predecessor without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.3. Liability of Trustee.

(A) The recitals of facts herein and in the Certificates contained shall be taken as statements of the Authority and/or the District, and the Trustee assumes no responsibility for the correctness of the same, makes no representations as to the validity or sufficiency of this Trust Agreement, of Obligation No. 12, or of the Certificates and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it except for any recital or representation specifically relating to the Trustee or its powers. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the owner of Certificates with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Holders, whether or not such committee shall represent the Holders of a majority in principal amount of the Certificates then Outstanding.
(B) The Trustee shall not be liable for any error of judgment made in good faith by any of its officers, employees, agents or representatives, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, or that the Trustee acted with willful misconduct.

(C) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Facility Provider or the Holders of not less than a majority in aggregate principal amount (or such lesser principal amount as is provided hereby) of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(D) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement (except (i) giving notices of prepayment, (ii) making required payments of interest and principal with respect to the Certificates to Holders and (iii) declaring an acceleration of the Certificates in accordance with Section 7.2 hereof) at the request, order or direction of any of the Holders pursuant to the provisions of this Trust Agreement unless such Holders shall have offered to the Trustee reasonable security or indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities which may be by it in compliance with such request, order or direction. The Trustee has no obligation or liability to the Holders for payment of the interest components or the principal components of the Certificates from its own funds; but rather the Trustee’s obligations shall be limited to the performance of its duties hereunder.

(E) No provision of this Trust Agreement shall require the Trustee to expend or its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The foregoing limitation on financial liability and entitlement to indemnity shall not apply or be a condition to the Trustee’s obligation and duty to make payments to the Certificateholders with respect to the Certificates; provided, however, that the Trustee shall have no obligation to advance moneys other than moneys held under the Trust Agreement for payment of the Certificates.

(F) Whether or not therein expressly so provided, every provision of this Trust Agreement, the Purchase Agreement, the Sale Agreement or other documents relating to the execution and delivery of the Certificates, or relating to the conduct of, affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

(G) The Trustee shall not be deemed to have knowledge of and shall not be required to take any action with respect to any Event of Default, other than an Event of Default described in Section 7.1(A), or any event which would, with the giving of notice or the passage of time or both, constitute an Event of Default, unless the Trustee shall have actual knowledge of such event or shall have been notified in writing by the District or by the Holder of Obligation No. 12 of such event which is in fact such a default, and such notice is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Certificates and this Trust Agreement. Subject to the other provisions of this Section and the provisions of Section 8.1 and Section 8.4 hereof, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, requisition, direction, consent, order, bond, debenture, coupon or other paper or document, but the Trustee, in its discretion, may make such further investigation or inquiry into such facts of matters as it may
deem fit, and, if the Trustee shall determine to make such further inquiry or investigation, the District shall assure that the Trustee shall be entitled to examine the books, records and premises of the District, personally or by agent or attorney at the sole cost of the District and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(H) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through attorneys-in-fact, agents, receivers, officers, employees or representatives, and shall not be answerable for the acts, omissions, negligence or misconduct of any such attorney-in-fact, agent, receiver, officer, employee or representative selected by it with due care. The Trustee may consult with and shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable for the professional malpractice of any counsel or other professional (including without limiting the generality of the foregoing, attorneys-in-law or certified public accountants) in connection with the rendering of such counsel’s or other professionals’ advice in accordance with the terms of this Trust Agreement, if such counsel or other professional was selected by the Trustee with due care. The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys that shall be released or withdrawn in accordance with the provisions hereof by the District, the Authority or any related person.

(I) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto or responsible or liable in the event of delay in the performance of such obligations due to unforeseeable causes that are directly or indirectly beyond its control and without its fault or negligence, including, but not limited to and without limitation, acts of God or of public enemies or terrorists, acts of a government, acts of the other party, fires, floods, pandemics, epidemics, quarantine restrictions, strikes, work stoppages, accidents, acts of war, nuclear or natural catastrophes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure, or general sabotage of, or rationing of, labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, hacking, cyber-attacks, or other use or infiltration of the Trustee’s technological infrastructure exceeding authorized access and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Section 8.4. Right of Trustee to Rely on Documents. The Trustee may conclusively relay shall be protected in acting or refraining from acting upon any notice, resolution, request, requisition, consent, direction, order, certificate, statement, report, opinion, bond, debenture, note, other evidence of indebtedness or other paper or document, including any such document or instrument forwarded by facsimile transmission or email, believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority or the District and/or counsel selected by the Trustee, with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance therewith and in reliance thereon.
Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Statement of the Authority and the District, and such Statement shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such Statement, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (herein in this Section 8.4 referred to as “Instructions”) given by the District pursuant to this Trust Agreement or the Sale Agreement and delivered using Electronic Means (which for purposes of this Section 8.4 shall mean the following communications methods: email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall (a) subsequent to such transmission of written Instructions, provide the originally executed Instructions or directions to the Trustee in a timely manner, and (b) provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (each herein in this Section 8.4 referred to as an “Authorized Representative,” and, collectively, the “Authorized Representatives”) and containing specimen signatures of such Authorized Representatives, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. As evidenced by its execution and delivery of the Sale Agreement, the District is deemed to understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Representative listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Representative. The District shall be responsible for ensuring that only Authorized Representatives transmit such Instructions to the Trustee and that all Authorized Representatives are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such Instructions conflict or are inconsistent with a subsequent written instruction. As evidenced by its execution and delivery of the Sale Agreement, the District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that the District is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures described herein.
The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder. The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

Section 8.5. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Authorized Representative of the District and any Certificateholder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions upon reasonable notice.

Section 8.6. Compensation. Pursuant to Section 4.2 and Section 7.3 of the Sale Agreement, the District shall: (i) pay the Trustee and any co-Trustee from time to time such compensation for all services rendered by it hereunder (including any costs incurred pursuant to Section 8.1) in accordance with a written agreement between the Authorized Representative of the District and the Trustee (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and (ii) except as otherwise expressly provided herein, reimburse the Trustee and any co-Trustee for all reasonable expenses, disbursements and advances incurred or made by the Trustee or the co-Trustee in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses, fees and disbursements of its agents and counsel), except any such expense, disbursement, fee or advance as may be attributable to the Trustee’s (or the co-Trustee’s) negligence or willful misconduct. The Trustee acknowledges that the Trustee shall not have any lien on any of the funds or accounts established hereunder for the payment of its fees and expenses except as set forth in Section 7.3. The obligations of the District described in this Section shall survive resignation or removal of the Trustee under this Trust Agreement and payment of the Certificates and discharge of this Trust Agreement.

Section 8.7. Indemnification. To the extent permitted by applicable law, pursuant to Section 7.3 and Section 7.4 of the Sale Agreement, the District shall indemnify and hold harmless the Trustee and its directors, officers, employees and agents against any losses, expenses, damages, claims, taxes and liabilities which it may incur arising out of or in connection with (1) the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of enforcing the provisions of this Trust Agreement, the Purchase Agreement, the Sale Agreement, the Master Indenture or any related document (including this Section) against the Authority, the District or any other person and defending itself against any claim (whether asserted by the Authority, the District, or any Holder or any other Person) or liability in connection with the exercise and performance of its powers and duties hereunder or (2) the sale of any Certificates and the carrying out of any of the transactions contemplated by this Trust Agreement, including the costs and expenses of defending against any claim of liability, but excluding liabilities which are due to the negligence or willful default of the Trustee. The obligations of the District described in
this Section shall survive resignation or removal of the Trustee under this Trust Agreement and payment of the Certificates and discharge of this Trust Agreement. The Trustee shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the District shall pay the reasonable fees and expenses of such separate counsel.

ARTICLE IX
MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 9.1. Amendments Permitted.

(A) This Trust Agreement, the Purchase Agreement and the Sale Agreement, and the rights and obligations of the Authority, the District, the Holders of the Certificates and the Trustee may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement, as applicable, which the Authority, the District and the Trustee, as applicable, may enter into when the written consent of (i) the Credit Facility Provider (provided that the Credit Facility is then in effect with respect to all Certificates then Outstanding and the Credit Facility Provider has not lost its rights pursuant to the provisions of Section 11.17 hereof) and the District or (ii) the Holders of at least a majority in aggregate principal amount of the Certificates then Outstanding (if no Credit Facility is in effect or the Credit Facility Provider has lost its rights pursuant to the provisions of Section 11.17 hereof) and the District shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Certificates of any particular stated Certificate Payment Date remain Outstanding, the consent of the Holders of such Certificates shall not be required and such Certificates shall not be deemed to be Outstanding for the purpose of any calculation of Certificates Outstanding under this Section.

No such modification or amendment shall (1) extend the stated Certificate Payment Date of any Certificate, or reduce the amount of principal represented thereby, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided in this Trust Agreement for the payment of any Certificate, or reduce the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto, without the written consent of the Holder of each Certificate so affected, or (2) reduce the aforesaid percentage of Certificates the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the assets pledged under this Trust Agreement prior to or on a parity with the lien created by this Trust Agreement, or deprive the Holders of the Certificates of the lien created by this Trust Agreement on such assets (except as expressly provided in this Trust Agreement), without the consent of the Holders of all of the Certificates then Outstanding. For such consent to be effective, it shall not be necessary that the Certificateholders approve the particular form of any Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement, but it shall be sufficient if the Certificateholders shall approve the substance thereof. Promptly after the execution by the Authority, the District and the Trustee, as applicable, of any Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement, pursuant to this subsection (A), the Trustee shall mail (at the expense of the District) a notice, first class postage prepaid, setting forth in general terms the substance of such Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement, to each Rating Agency then rating the Certificates, and to the
Holders at the addresses listed on the Registration Books kept by the Trustee pursuant to Section 2.19 hereof. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement.

(B) This Trust Agreement, the Purchase Agreement and the Sale Agreement and the rights and obligations of the Authority, the District, the Trustee and the Holders of the Certificates may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, Supplemental Sale Agreement or Supplemental Purchase Agreement, respectively, which the Authority, the District and the Trustee, as applicable, may enter into for any one or more of the following purposes without the consent of any Certificateholders or the Credit Facility Provider:

(1) to add to the covenants and agreements of the Authority or the District contained in this Trust Agreement, the Purchase Agreement or the Sale Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority or the District, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Certificates;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Trust Agreement, the Purchase Agreement or the Sale Agreement, or in regard to matters or questions arising under this Trust Agreement, the Purchase Agreement or the Sale Agreement, including but not limited to reflecting the creation of separate Sub-Series for the Certificates, reflecting the serialization of the Certificates upon conversion to a Fixed Mode, or conversion of Serial Certificates to Term Certificates or other adjustments to the amortization and payment schedule in connection with their Conversion from a Fixed Mode, as the Authority, the District or the Trustee may deem necessary or desirable and not inconsistent with this Trust Agreement, the Purchase Agreement or the Sale Agreement, as applicable, and which shall not materially adversely affect the interests of the Holders of the Certificates;

(3) to modify, amend or supplement this Trust Agreement in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, if required by such act or statute, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Certificates;

(4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of interest payable with respect to the Installment Payments, the Purchase Agreement or the Certificates;

(5) to facilitate (i) the transfer of Certificates from one Securities Depository to another Securities Depository, or (ii) the withdrawal from a Securities Depository of Certificates held in a book-entry system and the execution and delivery of replacement Certificates in fully registered form to Persons other than a Securities Depository;
(6) to authorize different Authorized Denominations of the Certificates and to make correlative amendments and modifications to this Trust Agreement regarding exchangeability of Certificates of different Authorized Denominations, prepayments of portions of Certificates of particular Authorized Denominations and similar amendments and modifications of a technical nature;

(7) to make any changes required by a Rating Agency in order to obtain or maintain a rating for the Certificates;

(8) to modify, alter, amend or supplement this Trust Agreement, the Purchase Agreement or the Sale Agreement in any other respect which is not materially adverse to the Certificateholders;

(9) to make any modification or amendment to this Trust Agreement which will be effective upon the Conversion and/or remarketing of Certificates following the mandatory tender of the Certificates pursuant to Section 4.7 hereof;

(10) to evidence or give effect to, or to conform to the terms and provisions of, any Liquidity Facility, any Credit Facility or any Self-Liquidity Arrangement; or

(11) to maintain the exclusion from gross income the portion of each Installment Payment designated as and constituting interest.

(C) The Trustee may, but shall not be obligated to, enter into any such Supplemental Trust Agreement or consent to any such Supplemental Purchase Agreement or Supplemental Sale Agreement authorized by subsections (A) or (B) of this Section which affects the Trustee’s own rights, duties or immunities under this Trust Agreement or otherwise. The Trustee shall be fully protected in entering into any modification or amendment to this Trust Agreement or in consenting to any modification or amendment to the Purchase Agreement or the Sale Agreement in reliance on an Opinion of Counsel that such modification or amendment complies with this Section.

Section 9.2. Effect of Supplemental Trust Agreement, Supplemental Purchase Agreement, Supplemental Sale Agreement. Upon the execution of any Supplemental Trust Agreement, Supplemental Sale Agreement and Supplemental Purchase Agreement pursuant to this Article, said agreements shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under said agreements of the Authority, the District, the Trustee and all Holders of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement, Supplemental Sale Agreement and Supplemental Purchase Agreement shall be deemed to be part of the terms and conditions of this Trust Agreement, the Sale Agreement and the Purchase Agreement, respectively, for any and all purposes. In executing, or accepting the additional trusts created by, any Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement permitted by this Article or the modification thereby of the trusts created by this Trust Agreement, the Trustee shall receive, and shall be fully protected in relying upon, a Certificate of the Authority and an Opinion of Counsel stating that the execution of such Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement is authorized or
permitted by this Trust Agreement and that such Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement is the legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

Section 9.3. **Endorsement of Certificates; Preparation of New Certificates.** Certificates delivered after the execution of any Supplemental Trust Agreement pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Trustee as to any modification or amendment provided for in such Supplemental Trust Agreement, and, in that case, upon demand of the Holder of any Certificate Outstanding at the time of such execution and presentation of his or her Certificate for the purpose at the Corporate Trust Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Certificate. If the Supplemental Trust Agreement shall so provide, new Certificates so modified as to conform to any modification or amendment contained in such Supplemental Trust Agreement, shall be prepared by the Trustee at the expense of the District, shall be executed by the Trustee, and upon demand of the Holders of any Certificates then Outstanding shall be exchanged at the Corporate Trust Office of the Trustee, without cost to any Certificateholder, for Certificates then Outstanding, upon surrender for cancellation of such Certificates, in equal aggregate principal amounts having the same Certificate Payment Date.

Section 9.4. **Amendment of Particular Certificates.** The provisions of this Article shall not prevent any Certificateholder from accepting any amendment as to the particular Certificates held by him, provided that due notation thereof is made on such Certificates.

Section 9.5. **Notice of Modification or Amendment of Agreements.** The Trustee shall provide each Rating Agency then rating the Certificates with a copy of each Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement; provided that the failure to comply with this provision shall not affect the validity or effectiveness of any Supplemental Trust Agreement, Supplemental Purchase Agreement or Supplemental Sale Agreement and provided further that the Trustee shall not be held liable for any failure to comply with this provision.

**ARTICLE X**
**DEFEASANCE**

Section 10.1. **Discharge of Trust Agreement.** When the obligations of the District under the Sale Agreement shall cease pursuant to Article IX of the Sale Agreement (except for the right of the Trustee and the obligation of the Authority to have the money and Defeasance Securities mentioned therein applied to the payment of Installment Payments as therein set forth), then and in that case, the obligations created by this Trust Agreement shall thereupon cease, terminate and become void, except for the right of the Trustee to apply such moneys and Defeasance Securities to the payment of the Certificates as herein set forth, and the Trustee shall turn over to the Authorized Representative of the District, as an overpayment of Installment Payments, any balances remaining in any of the funds or accounts established hereunder (except the Rebate Fund, which shall be governed by the Tax Certificate) other than moneys and Defeasance Securities held for the payment of the Certificates on their stated Certificate Payment Date or Certificate Payment Dates or upon prepayment, which moneys and Defeasance Securities shall continue to be held by
the Trustee in trust for the benefit of the Certificateholders and shall be applied by the Trustee to the payment, when due, of the principal and interest represented by the Certificates, and after such payment, this Trust Agreement shall become void. Upon Request of the Authority and the District, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority and the District to be prepared and filed with the Authority and the District and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Purchase Agreement and the Trust Agreement.

With respect to any Weekly Certificates, Two Day Certificates or Daily Certificates enhanced with a Liquidity Facility or Credit Facility that, in either case, is a direct-pay letter of credit, any such initial deposit or initial investment must be made with Eligible Moneys. Prior to defeasing any Weekly Certificates, Two Day Certificates or Daily Certificates enhanced by a Liquidity Facility or a Credit Facility pursuant to this Section 10.1, the District shall either (i) obtain written confirmation from each Rating Agency then rating the Certificates that the ratings on the Certificates will not be lowered or withdrawn as a result of the defeasance of the Certificates or (ii) cause the Liquidity Facility or Credit Facility then in effect to remain in effect until the earlier of the final prepayment date or the Certificate Payment Date of the defeased Certificates.

Notwithstanding anything in this Trust Agreement to the contrary, Certificates secured by a Liquidity Facility or a Credit Facility shall not be defeased unless each of the following conditions is satisfied: (1) the defeasance escrow for such Certificates shall be held uninvested in cash only and shall not be invested in United Stated Government Obligations or any other form of investment; and (2) there shall be delivered to the Trustee and the Authority a certificate or report of a verification agent or an independent certified public accountant firm as to the adequacy of the defeasance escrow so established. The rights of the Holders of Certificates representing interest accruing at a Daily Rate, a Two Day Rate, a Window Rate, a VRO Rate or a Weekly Rate to optionally tender such Certificates pursuant to Section 4.6(A) hereof shall continue to be in full force and effect during the defeasance escrow period and shall remain in effect until the prepayment date of such Certificates.

Section 10.2. Deposit of Money or Securities with Trustee. Whenever in this Trust Agreement or the Sale Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or prepay any Certificates, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Trust Agreement (excluding the Rebate Fund) and shall be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Certificates and all unpaid interest with respect thereto to their stated Certificate Payment Date or Certificate Payment Dates (based on an assumed interest rate equal to the Maximum Interest Rate for periods in which interest represented by the Certificates is accruing at a rate that cannot be determined), except that, in the case of Certificates which are to be prepaid prior to their stated Certificate Payment Date or Certificate Payment Dates and in respect of which notice of such prepayment shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Prepayment Price with respect to such Certificates and all
unpaid interest with respect thereto to the prepayment date (based on an assumed interest rate equal to the Maximum Interest Rate for periods in which interest represented by the Certificates is accruing at a rate that cannot be determined); or

(B) Defeasance Securities (not callable by the issuer thereof prior to maturity), the principal represented by and interest represented by which when due will provide money sufficient to pay the principal or Purchase Price for any Certificates tendered for purchase (in which case the tendered Certificates shall be purchased and shall be cancelled), or Prepayment Price and all unpaid interest to their stated Certificate Payment Date or Certificate Payment Dates or to the prepayment date, as the case may be (based on an assumed interest rate equal to the Maximum Interest Rate for periods in which interest represented by the Certificates is accruing at a rate that cannot be determined), represented by the Certificates to be paid or prepaid, as such principal or Prepayment Price and interest become due, provided that, in the case of Certificates which are to be prepaid prior to their stated Certificate Payment Date or Certificate Payment Dates, notice of such prepayment shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Trust Agreement and the Purchase Agreement or by Order of the Authority and the District) to apply such money to the payment of such principal or Prepayment Price and interest with respect to such Certificates, and provided further, that with respect to the deposit of Defeasance Securities pursuant to subsection (B) above, the Trustee shall have received a report from a firm of independent certified public accountants or a verification agent to the effect that the amount deposited is sufficient to make the payments specified therein. The District shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the United States Government Obligations deposited pursuant to this Section 10.2 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Outstanding Certificates.

Section 10.3. Payment of Certificates After Discharge of Trust Agreement.

Notwithstanding any provisions of this Trust Agreement, but subject to the unclaimed property laws of the State, any moneys held by the Trustee in trust for the payment of the principal, Prepayment Price, or interest with respect to any Certificates and remaining unclaimed for two (2) years (or, if shorter, and to the extent permitted by law, one (1) day before such moneys would escheat to the State under then applicable State law) after the principal and interest with respect to any of the Certificates have become due and payable (whether on their stated Certificate Payment Date or Certificate Payment Dates or upon call for prepayment or by acceleration as provided in this Trust Agreement), if such moneys were so held at such date, or two (2) years (or, if shorter, and to the extent permitted by law, then one (1) day before such moneys would escheat to the State under then applicable State law) after the date of deposit of such moneys if deposited after said date when all of the Certificates became due and payable, shall be repaid to the Authorized Representative of the District free from the trusts created by this Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Authorized Representative of the District or the Trustee, as the case may be, may (at the cost of the District) first mail a notice, in such form as may be deemed appropriate by the District, to the Holders of the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the

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Authorized Representative of the District of the moneys held for the payment thereof at the addresses shown on the Registration Books maintained by the Trustee. In the event of the repayment of any such moneys to the District as aforesaid, the Holders of the Certificates with respect to which such moneys were deposited shall thereafter be deemed to be general unsecured creditors of the District for amounts equivalent to the respective amounts deposited for the payment of such Certificates and so repaid to the District (without interest thereon), subject to any applicable statute of limitations.

ARTICLE XI
MISCELLANEOUS

Section 11.1. Limited Liability of Authority. Notwithstanding anything contained in this Trust Agreement, the Purchase Agreement, the Sale Agreement or the Certificates, the Authority shall not be required to advance any moneys derived from any source other than the assets pledged under this Trust Agreement for any of the purposes in this Trust Agreement mentioned, whether for the payment of the principal or Prepayment Price or Purchase Price of or interest with respect to the Certificates or for any other purpose of this Trust Agreement.

The Authority shall not be liable for payment of the principal of, Prepayment Price, Purchase Price or interest with respect to the Certificates or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Trust Agreement, the Certificates or any other documents, except only to the extent amounts are received for the payment thereof from the District under the Sale Agreement and by the Members of the Obligated Group pursuant to Obligation No. 12, together with investment income on certain funds and accounts held by the Trustee under this Trust Agreement.

The Trustee hereby acknowledges that the Authority’s sole source of moneys to repay the Certificates will be provided by the payments made by the District to the Trustee pursuant to the Sale Agreement and by the Members of the Obligated Group pursuant to Obligation No. 12, together with investment income on certain funds and accounts held by the Trustee under this Trust Agreement, and hereby agrees that if the Installment Payments to be made under the Sale Agreement shall ever prove insufficient to pay all principal (or Prepayment Price) and interest with respect to the Certificates as the same shall become due (whether on their Certificate Payment Date, or by prepayment, acceleration or otherwise), then the Trustee shall give notice to the District in accordance with Section 7.1 of this Trust Agreement to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or Prepayment Price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the District, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Section 11.2. Successor is Deemed Included in All References to Predecessor. Whenever in this Trust Agreement either the Authority, the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Authority, the
Section 11.3. Limitation of Rights to Parties. District, Liquidity Facility Provider, Credit Facility Provider, Direct Purchaser and Holders. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any Person other than the Authority, the District, the Trustee, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Direct Purchaser, if any, and the Holders of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or therein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the District, the Trustee, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Direct Purchaser, if any, and the Holders of the Certificates. The Liquidity Facility Provider, if any, the Credit Facility Provider, if any, and the Direct Purchaser, if any, shall be third party beneficiaries hereof.

Section 11.4. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.5. Destruction of Certificates. Whenever in this Trust Agreement provision is made for the cancellation by the Trustee and the delivery to the Authority of any Certificates, the Trustee shall, in lieu of such cancellation and delivery, dispose of in accordance with its then-customary procedures such Certificates and deliver a certificate of evidencing such disposal to the Authority.

Section 11.6. Severability of Invalid Provisions. If any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Trust Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the Trustee each hereby declares that it would have entered into this Trust Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the execution and delivery of the Certificates pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

Section 11.7. Notices. Subject to Section 11.4, any notice to or demand upon the Authority, the District or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by facsimile, by Electronic Means or by being deposited, postage prepaid, in a post office letter box, addressed, as follows:
If to the Authority:

California Municipal Finance Authority
2111 Palomar Airport Road, Suite 320
Carlsbad, California 92011
Attention: John P. Stoecker
Telephone: (760) 930-1221

If to the District:

Palomar Health
456 E. Grand Avenue
Escondido, California 92025
Attention: Chief Financial Officer
Telephone: (760) 740-6385

If to the Trustee:

U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust
Telephone: (213) 615-6002

The Authority, the District and the Trustee may, by notice given hereunder, designate any further or different address to which subsequent notices shall be sent.

Section 11.8. **Delivery of Notices by Electronic Means.** Subject to the third paragraph of Section 8.4, any notice to be given to any Person pursuant to the provisions of this Trust Agreement may be delivered by Electronic Means.

Section 11.9. **Evidence of Rights of Holders.** Any request, consent or other instrument required or permitted by this Trust Agreement to be signed and executed by Holders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Holders in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Certificates transferable by delivery, shall be sufficient for any purpose of this Trust Agreement and shall be conclusive in favor of the Trustee, the Authority and the District if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.
The ownership of Certificates shall be proved by the Certificate registration books held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Certificate shall bind every future Holder of the same Certificate and the Holder of every Certificate executed and delivered in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee, the Authority or the District in accordance therewith or reliance thereon.

Section 11.10. Disqualified Certificates. In determining whether the Holders of the requisite aggregate principal amount of Certificates have concurred in any demand, request, direction, consent or waiver under this Trust Agreement, Certificates which are owned or held by or for the account of the District or any of the other Members of the Obligated Group, or by any other obligor on the Certificates, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any of the other Members of the Obligated Group or any other obligor on the Certificates, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided that only Certificates which the Trustee actually knows to be so owned shall be so disregarded, unless all of the Certificates are so owned, in which case such Certificates shall not be disregarded and shall be deemed to be Outstanding. Certificates so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee that the pledgee’s right to vote such Certificates and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any of the other Members of the Obligated Group or any other obligor on the Certificates. In case of a dispute as to such right, any decision by the Trustee taken upon an Opinion of Counsel shall be full protection to the Trustee. Upon request of the Trustee, the District shall specify in a certificate to the Trustee those Certificates disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

Section 11.11. Money Held for Particular Certificates. The money held by the Trustee for the payment of the interest, principal or Prepayment Price due on any date with respect to particular Certificates (or portions of Certificates in the case of Certificates prepaid in part only) shall, on and after such date and pending such payment, be set aside on its books and held uninvested in trust by it for the Holders of the Certificates entitled thereto, subject, however, to the provisions of Section 10.3.

Section 11.12. Funds and Accounts. Any fund required by this Trust Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of Section 6.5 and for the protection of the security of the Certificates and the rights of every Holder thereof.

Section 11.13. Waiver of Personal Liability. None of the Authority or any Authority member is liable personally on the Certificates or subject to any personal liability or accountability by reason of their execution and delivery.
Section 11.14. Business Days. If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

Section 11.15. Governing Law and Venue. This Trust Agreement and the Certificates are contracts made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Trust Agreement and the Certificates shall be enforceable in the State of California, and any action arising out of this Trust Agreement or the Certificates shall be filed and maintained in San Diego County, California, unless the Authority waives this requirement.

Section 11.16. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts, and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument. The exchange of copies of this Trust Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Trust Agreement as to the parties hereto and may be used in lieu of the original Trust Agreement and signature pages for all purposes.

Section 11.17. Reference to Credit Facility Provider or Liquidity Facility Provider Ineffective. Anything contained in this Trust Agreement, the Purchase Agreement, the Sale Agreement or in the Certificates to the contrary notwithstanding, the existence of all rights given to the Liquidity Facility Provider or the Credit Facility Provider with respect to the giving of consents or approvals or the direction of proceedings are expressly conditioned upon its timely and full performance of the payment of properly presented and conforming draws under the Liquidity Facility or the Credit Facility, as the case may be. Any such rights shall not apply at any time there are no Certificates Outstanding or the Liquidity Facility Provider or the Credit Facility Provider has failed to honor a properly presented and conforming draw under the Liquidity Facility or the Credit Facility; the Liquidity Facility Provider or the Credit Facility Provider has been declared insolvent or bankrupt by a court of competent jurisdiction, an order or decree has been entered appointing a receiver, receivers, custodian or custodians for any of its assets or revenues, or any proceeding shall be instituted with the consent or acquiescence of the Liquidity Facility Provider or the Credit Facility Provider or any plan shall be entered into by the Liquidity Facility Provider or the Credit Facility Provider for the purpose of effecting a composition between the Liquidity Facility Provider or the Credit Facility Provider, as the case may be, and its creditors or for the purpose of adjusting the claims of such creditors, the Liquidity Facility Provider or the Credit Facility Provider makes any assignment for the benefit of its creditors or the Liquidity Facility Provider or the Credit Facility Provider is generally not paying its debts as such debts become due, the Liquidity Facility Provider or the Credit Facility Provider files a petition in bankruptcy under Title 11 of the United States Code, as amended or the Liquidity Facility or the Credit Facility has been determined to be void or unenforceable by final judgment of a court of competent jurisdiction; provided that this Section 11.17 shall not in any way limit or affect the rights of the Credit Facility Provider or the Liquidity Facility Provider as a Certificateholder, as subrogee of a Certificateholder or as assignee of a Certificateholder, any Reimbursement Obligations or to otherwise be reimbursed and indemnified for its costs and expenses and other
payments on or in connection with the Certificates, the Credit Facility or the Liquidity Facility, either by contract or operation of law.

Section 11.18. U.S.A. Patriot Act. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Trust Agreement agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

[Signature page follows]
IN WITNESS WHEREOF, the CALIFORNIA MUNICIPAL FINANCE AUTHORITY has caused this Trust Agreement to be executed in its name by a duly authorized signatory, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed in its corporate name by one of its duly authorized officers, all as of the day and year first above written.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY

By ______________________________________

Authorized Signatory

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By ______________________________________

Authorized Officer
Exhibit A

FORM OF CERTIFICATE OF PARTICIPATION

R-__ $[PAR]

CERTIFICATE OF PARTICIPATION
Evidencing a Proportionate Interest of the Holder Hereof
in Installment Payments to be Paid
by
PALOMAR HEALTH
To
CALIFORNIA MUNICIPAL FINANCE AUTHORITY

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<td>[__]%</td>
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<td>[__]</td>
</tr>
</tbody>
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REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: [PAR IN WORDS] DOLLARS

THIS IS TO CERTIFY that the above-identified Registered Holder of this Certificate of Participation (herein called the “Certificate”), is the owner of an undivided proportionate interest in the right to receive certain Installment Payments (the “Installment Payments”) to be made by Palomar Health, a local health care district and political subdivision of the State of California (the “District”), under that certain Installment Sale Agreement, dated as of November 1, 2022 (the “Sale Agreement”), between the District and California Municipal Finance Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “Authority”), which Installment Payments have been assigned by the Authority without recourse to U.S. Bank Trust Company, National Association, as trustee (together with any successor trustee, the “Trustee”), under that certain Trust Agreement, dated as of November 1, 2022 (the “Trust Agreement”), between the Authority and the Trustee. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Trust Agreement.

The Registered Holder of this Certificate is entitled to receive, subject to the terms of the Trust Agreement, on the certificate payment date stated above (the “Certificate Payment Date”), or upon prepayment in accordance with the provisions of the Trust Agreement, the principal amount specified above, representing a portion of the Installment Payments designated as principal coming due on the Certificate Payment Date or the prepayment date, as applicable. Except during certain Direct Purchase Periods, the Registered Holder of this Certificate is also entitled to receive on each Interest Payment Date the Registered Holder’s proportionate share of the Installment Payments designated as the interest component (herein defined as the “interest
component” or “interest”) on each May 1 and November 1, commencing [May 1, 2023], until the principal hereof shall have become due, whether at the stated Certificate Payment Date hereof, by prepayment or acceleration, at the rate and on the dates stated above.

The principal with respect to this Certificate is payable by check in lawful money of the United States of America upon surrender at the offices of the Trustee located at [[111 Fillmore Ave. E, St. Paul, MN 55107]], or such other address designated by the Trustee. Interest with respect to this Certificate (except as is otherwise provided in the Trust Agreement with respect to defaulted interest) is payable by check mailed on each Interest Payment Date to the Person whose name appears on the Registration Books of the Trustee as the Registered Holder hereof as of the close of business on the Record Date applicable to such Interest Payment Date, at the address appearing on the Registration Books maintained by the Trustee, or by wire transfer within the United States to any Registered Holder of at least $1,000,000 in aggregate principal amount of Certificates if such Registered Holder has submitted a written request for such wire transfer to the Trustee prior to the applicable Record Date next preceding any Interest Payment Date.

Copies of the Trust Agreement are on file at the Corporate Trust Office of the Trustee, and reference is made to the Trust Agreement and any and all amendments thereof for a description of the pledges and covenants securing the obligations represented by the Certificates, the nature, extent and manner of enforcement of such pledges and covenants, the rights and remedies of the Registered Holders of the Certificates with respect thereto and the other terms and conditions upon which the Certificates are delivered thereunder. The Authority has assigned, without recourse, all its rights to the Installment Payments to the Trustee pursuant to the Trust Agreement. Copies of the Sale Agreement are also on file at the Corporate Trust Office of the Trustee.

The Certificates are subject to prepayment prior to their stated Certificate Payment Dates, at the times, in the amounts, under the circumstances, with the notice, at the Prepayment Prices, and, in certain cases, under optional and mandatory tender for purchase, upon the other terms and conditions and with the effect, each as set forth in the Trust Agreement.

The initial Interest Rate Mode applicable to this Certificate is identified above. This Certificate may be converted to another Interest Rate Mode, subject to the terms and conditions of the Trust Agreement. The method of determining interest in each Interest Rate Mode is described in the Trust Agreement.

If an Event of Default shall occur, the principal amount of all Certificates then Outstanding may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement. The Trust Agreement provides that under certain circumstances such declaration and its consequences may be rescinded by the Trustee.

The Registered Holder of this Certificate shall have no right to enforce the provisions of the Trust Agreement or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Trust Agreement, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement.
The Certificates shall be executed as fully registered Certificates in Authorized Denominations. This Certificate is transferable and may be exchanged by the Registered Holder hereof in person or by its attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender and cancellation of this Certificate. Upon such transfer or exchange a new fully registered Certificate or Certificates of Authorized Denominations, for the same aggregate principal amount and with the same Certificate Payment Date, will be issued in exchange therefor.

The Trustee, the Authority and the District may treat the Registered Holder hereof as the absolute owner hereof for all purposes, and neither the Trustee, the Authority nor the District shall be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended or supplemented by the parties thereto.

The Certificates evidence a proportionate interest in the Installment Payments in an amount equal to the aggregate principal amount represented by Certificates originally executed and delivered by the Trustee pursuant to the Trust Agreement and enjoy the benefits of the security interest in the moneys held in the funds and accounts established pursuant to the Trust Agreement (except moneys held on deposit in the Rebate Fund and certain amounts paid by the District pursuant to the Sale Agreement for Administrative Fees and Expenses or as indemnification), subject to the provisions of the Trust Agreement permitting the application thereof for or to the purposes and on the terms and conditions set forth therein.

The Trustee has no obligation or liability to the Registered Holders of the Certificates to make payments with respect to the Certificates except from amounts on deposit for such purposes with the Trustee. The sole obligations of the Trustee are to administer the various funds and accounts established under the Trust Agreement and to perform the other duties expressly imposed upon it under the Trust Agreement.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized signatory of the Trustee.

Date of Execution: November [__], 2022.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: ______________________________________
    Authorized Signatory

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FORM OF DTC LEGEND

Unless this Certificate is presented by an authorized representative of The Depository Trust Company to U. S Bank Trust Company, National Association or its successor as trustee under the Trust Agreement, for registration of transfer, exchange or payment, and any Certificate executed is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the Registered Holder hereof, Cede & Co., has an interest herein.

FORM OF ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto ____________________ (print or type name, address, taxpayer identification number and zip code of assignee) the within-mentioned Certificate and hereby irrevocably constitute(s) and appoint(s) ____________________, attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: ________________

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed By:

Note: Signature(s) must be guaranteed by an eligible guarantor.
Exhibit B

FORM OF REQUISITION – COSTS OF DELIVERY FUND

REQUISITION NO. __

Costs of Delivery Fund

The undersigned, ____________, hereby certifies as follows:

1. I am _______________ of Palomar Health, a local health care district duly organized and existing under and pursuant to the laws of the State of California (the “District”).

2. Pursuant to the provisions of that certain Trust Agreement, dated as of November 1, 2022 (the “Trust Agreement”), between the California Municipal Finance Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), I am an Authorized Representative of the District (as such term is defined in the Trust Agreement) and I am delivering this Requisition on behalf of the District. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Trust Agreement.

3. The undersigned hereby requests that the Trustee pay from the Costs of Delivery Fund created pursuant to Section 3.3 of the Trust Agreement (the “Costs of Delivery Fund”) the amounts specified in Schedule I hereto to the persons identified in Schedule I.

4. The undersigned, acting on behalf of the District, hereby certifies that: (a) obligations in the amounts stated in Schedule I have been incurred by the District and are presently due and payable; (b) each item is a proper charge against the Costs of Delivery Fund; and (c) each item has not been previously paid from the Costs of Delivery Fund.

5. With respect to this Requisition, the District (i) certifies that it has reviewed any wire instructions set forth in such Requisition to confirm such wire instructions are accurate, (ii) agrees to indemnify and hold harmless the Trustee from and against any and all claim, demand, loss, liability, or expense sustained, including but not limited to attorneys’ fees and expenses resulting directly or indirectly as a result of making the Requisition requested, and (iii) agrees that it will not seek recourse from the Trustee as a result of losses incurred by it for making the disbursement in accordance with the Requisition.

Dated: ________________ .

Palomar Health

By: __________________________
    Authorized Representative
## Schedule I

### Costs of Delivery Fund

<table>
<thead>
<tr>
<th>Party to be Paid</th>
<th>Payment Amount</th>
<th>Nature of Expenditure</th>
<th>Payment Instructions</th>
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Exhibit C

FORM OF REQUISITION – PROJECT FUND

REQUISITION NO. __

Project Fund

The undersigned, __________, hereby certifies as follows:

1. I am __________ of Palomar Health, a local health care district and political subdivision of the State of California (the “District”).

2. Pursuant to the provisions of that certain Trust Agreement, dated as of November 1, 2022 (the “Trust Agreement”), between the California Municipal Finance Authority (the “Authority”) and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), I am the Authorized Representative (as such term is defined in the Trust Agreement) of the District and am delivering this Requisition on behalf of the District.

3. The undersigned, acting on behalf of the District, does hereby request disbursement of funds from the Project Fund created pursuant to Section 3.4 of the Trust Agreement in connection with the payment of, or the reimbursement to the District for, the costs of the Project (as such term is defined in the Trust Agreement).

TOTAL DISBURSEMENT AMOUNT REQUESTED: $________.

4. The undersigned, acting on behalf of the District, hereby certifies that the costs of the Project in the amount set forth on Schedule I attached hereto were made or incurred and are presently due and payable and that each item is a proper charge against the Project Fund and that each cost relates to an item for which compliance has been achieved with respect to the provisions of the California Environmental Quality Act, Public Resources Code §§21000 et seq. and its implementing regulations or any successor thereto.

5. The undersigned, acting on behalf of the District, hereby certifies that each amount listed on Schedule I attached hereto is reasonable and represents a part of the amount payable for the costs of acquiring, constructing or equipping the Project.

6. The undersigned, acting on behalf of the District, hereby certifies that no part of said costs of the Project were included in any previous requisition.

7. The undersigned, acting on behalf of the District, hereby certifies that there has not been filed with or served upon any of the District notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the Persons named in this Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.
8. The undersigned, acting on behalf of the District, hereby certifies that the balance remaining in the Project Fund after payment of such amounts as are specified in this Requisition, together with any investment income reasonably anticipated to be deposited in the Project Fund pursuant to the Trust Agreement and any other funds reasonably anticipated to be available therefor, will be sufficient to pay the costs of completing the Project.

9. Payment shall be made in accordance with the instructions set forth on Schedule I hereto.

10. With respect to this Requisition, the District (i) certifies that it has reviewed any wire instructions set forth in such Requisition to confirm such wire instructions are accurate, (ii) agrees to indemnify and hold harmless the Trustee from and against any and all claim, demand, loss, liability, or expense sustained, including but not limited to attorneys’ fees and expenses resulting directly or indirectly as a result of making the Requisition requested, and (iii) agrees that it will not seek recourse from the Trustee as a result of losses incurred by it for making the disbursement in accordance with the Requisition. Dated: .

Palomar Health

By: ______________________________________
   Authorized Representative
## Schedule I
### Project Fund

<table>
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<th>Party to be Paid</th>
<th>Payment Amount</th>
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SUPPLEMENTAL MASTER INDENTURE
FOR MASTER INDENTURE OBLIGATION NO. 12

PALOMAR HEALTH

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Master Trustee

Dated as of November 1, 2022

Supplementing the
Master Trust Indenture
Dated as of December 1, 2006
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THIS SUPPLEMENTAL MASTER INDENTURE FOR MASTER INDENTURE OBLIGATION NO. 12, made and entered into and dated as of November 1, 2022 (“Supplement No. 12”), by and between PALOMAR HEALTH, formerly known as Palomar Pomerado Health, a local health care district and political subdivision of the State of California (“PH”), as Credit Group Representative, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as successor master trustee (the “Master Trustee”) under the Master Trust Indenture, dated as of December 1, 2006 (as from time to time amended and supplemented pursuant to its terms, the “Master Indenture”), between PH and the Master Trustee,

W I T N E S S E T H:

WHEREAS, PH and the Master Trustee have entered into the Master Indenture, which provides for the issuance by PH, acting as Credit Group Representative, of Master Indenture Obligations thereunder upon PH and the Master Trustee entering into an indenture supplemental to the Master Indenture;

WHEREAS, PH, acting as Credit Group Representative, desires to issue a Master Indenture Obligation (as such term is defined in the Master Indenture) hereunder to secure the obligations of PH arising under that certain Installment Sale Agreement, dated as of November 1, 2022 (as further defined in Section 1 hereof, the “Sale Agreement”, between the California Municipal Finance Authority (as further defined in Section 1 hereof, the “Authority”) and PH;

WHEREAS, all acts and things necessary to constitute this Supplement No. 12 a valid indenture and agreement according to its terms have been done and performed, and PH has duly authorized the execution and delivery hereof and the execution and delivery of the Master Indenture Obligation issued hereby;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the Master Indenture Obligation issued hereunder by the Holder thereof, PH covenants and agrees with the Master Trustee for the benefit of the Holder from time to time of the Master Indenture Obligation issued hereby as follows:

Section 1. Definitions. Unless otherwise required by the context, all terms used herein that are defined in the Master Indenture shall have the meanings assigned to them therein, except as set forth below:

“Act” means the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 65) of the Government Code of the State.

“Authority” means the California Municipal Finance Authority, or its successors and assigns, a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of January 1, 2004, by and among certain California cities, counties and special districts, as amended from time to time, pursuant to the provisions of the Act.
“Certificates” means those certain certificates of participation evidencing proportionate undivided interests in the Installment Payments, executed and delivered in the aggregate principal amount of [in words] dollars ($[__]) pursuant to the Trust Agreement.

“Certificate Delivery Date” shall have the meaning assigned to such term in the Trust Agreement.

“Installment Payments” means all of the payments so designated and required to be made by PH pursuant to Section 4.1 of the Sale Agreement.

“Master Indenture Obligation No. 12” means the Master Indenture Obligation issued pursuant hereto.

“Master Trustee” means U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, and, subject to the limitations contained in the Master Indenture, any other corporation or association that may be co-trustee with the Master Trustee, and any successor or successors to said trustee or co-trustee in the trusts created under the Master Indenture.

“Sale Agreement” means that certain installment sale agreement, dated as of November 1, 2022, between the Authority and PH, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Trust Agreement.

“Supplement No. 12” means this Supplemental Master Indenture for Master Indenture Obligation No. 12.

“Trust Agreement” means that certain trust agreement, dated as of November 1, 2022, between the Authority and the Trustee, as originally executed and as amended or supplemented from time to time in accordance with its terms.

“Trustee” means U.S. Bank Trust Company, National Association, as trustee, a national banking association organized and existing under the laws of the United States of America, and any successor to its duties under the Trust Agreement.

Section 1.1. Interpretation.

(a) Any reference herein to any officer of PH shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The singular shall include the plural and vice versa.
Section 1.2. Contents of Certificates and Opinions. Every Certificate or opinion provided for herein with respect to compliance with any provision hereof shall include: (a) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (c) a statement that, in the opinion of such Person, such Person has made, or caused to be made, such examination or investigation as is necessary to enable such Person to express an informed opinion with respect to the subject matter referred to in the instrument to which such Person’s signature is affixed; and (d) a statement as to whether, in the opinion of such Person, such provision has been satisfied.

Any such Certificate or opinion made or given by an officer of PH may be based, insofar as it relates to legal, accounting or healthcare matters, upon a Certificate or opinion or representation of counsel, an accountant or Independent Consultant unless such officer knows, or in the exercise of reasonable care should have known, that the Certificate, opinion or representation with respect to the matters upon which such Certificate or opinion may be based, as aforesaid, is erroneous. Any such Certificate, opinion or representation made or given by counsel, an accountant or an Independent Consultant, may be based, insofar as it relates to factual matters (with respect to which information is in the possession of PH) upon the Certificate or opinion of, or representation by an officer of PH unless such counsel, accountant or Independent Consultant knows, or in the exercise or reasonable care should have known, that the Certificate, opinion of or representation by such officer, with respect to the factual matters upon which such Person’s Certificate or opinion may be based, is erroneous. The same officer of PH or the same counsel or accountant or Independent Consultant, as the case may be, need not certify as to all the matters required to be certified under any provision hereof, but different officers, counsel, accountants or Independent Consultants may certify as to different matters.

Section 2. Issuance of Master Indenture Obligation No. 12. There is hereby created and authorized to be issued a Master Indenture Obligation of the Obligated Group Members in an aggregate principal amount of [in words] dollars ($[____]). The Master Indenture Obligation shall be dated November [closing day], 2022, shall be designated “Palomar Health Master Indenture Obligation No. 12” and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Master Indenture Obligation No. 12 as provided in Section 11 hereof.

The aggregate principal amount of Master Indenture Obligation No. 12 is limited to [in words] dollars ($[____]), except for any Master Indenture Obligation No. 12 authenticated and delivered in lieu of another Master Indenture Obligation No. 12 as provided in Section 6, hereof, with respect to any Master Indenture Obligations mutilated, destroyed, lost or stolen or, subject to the provisions of Section 5 of this Supplement No. 12, upon transfer of registration of Master Indenture Obligation No. 12.
Section 3. Payments on Master Indenture Obligation No. 12; Credits.

(a) Principal of and interest and any applicable redemption premium on Master Indenture Obligation No. 12 are payable in any coin or currency of the United States of America that on the payment date is legal tender for the payment of public and private debts. Except as provided in subsection (b) of this Section with respect to credits, and Section 4 hereof regarding prepayment, payments on the principal of and premium, if any, and interest on Master Indenture Obligation No. 12 shall be made at the times and in the amounts specified in Master Indenture Obligation No. 12 by PH (i) depositing or causing to be deposited the same with or to the account of the Trustee at or prior to the opening of business on the day such payments shall become due or payable (or the next succeeding business day if such date is a Saturday, Sunday or bank holiday in the city in which the principal Corporate Trust Office of the Trustee is located) and (ii) giving written notice to the Master Trustee and the Trustee of each payment of principal, interest or premium on Master Indenture Obligation No. 12, that specifies the amount paid, identifies such payment as a payment on Master Indenture Obligation No. 12 and identifies the Obligated Group Members on whose behalf such payment is made. Subject to receipt by the Master Trustee from the Holder of Master Indenture Obligation No. 12 of notice to the contrary, the Master Trustee may conclusively assume that such payment has been made when due.

(b) Subject to the last sentence of this subsection (b), PH shall receive credit for payment on Master Indenture Obligation No. 12, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Master Indenture Obligation No. 12 in an amount equal to moneys deposited in the Interest Fund created under the Trust Agreement to the extent such amounts have not previously been credited against payments on Master Indenture Obligation No. 12;

(ii) On installments of principal of Master Indenture Obligation No. 12 in an amount equal to moneys deposited in the Principal Fund created under the Trust Agreement, to the extent such amounts have not previously been credited on Master Indenture Obligation No. 12;

(iii) On installments of principal and interest on Master Indenture Obligation No. 12 in an amount equal to the principal represented by the Certificates for the payment at their respective Certificate Payment Dates (as defined in the Trust Agreement) or prepayment of which sufficient amounts (as determined by Section 10.2 of the Trust Agreement) in cash or Defeasance Securities (as defined in the Trust Agreement) are on deposit as provided in Section 10.2 of the Trust Agreement to the extent such amounts have not previously been credited against such payments, and the interest represented by such Certificates from and after the date fixed for payment at their respective Certificate Payment Dates or prepayment thereof. Such credits shall be made against the installments of principal and interest which would have been used, but for such call for prepayment, to pay principal of and interest represented by such Certificates when due or called for mandatory prepayment; and
On installments of principal and interest on Master Indenture Obligation No. 12 in an amount equal to the principal represented by Certificates acquired by PH and surrendered to the Trustee for cancellation or purchased by the Trustee and cancelled, and the interest represented by such Certificates from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay principal of and interest represented by such Certificates when due, and with respect to Certificates called for mandatory prepayment, against principal installments which would have been used to pay Certificates of the same date.

Subject to the receipt by the Master Trustee from the Holder of Master Indenture Obligation No. 12 of notice of the failure of PH to make the foregoing payments as and when due, the Master Trustee may conclusively assume that such payments were made and to such extent corresponding credit on Master Indenture Obligation No. 12 shall be deemed to have occurred.

Section 4. Prepayment of Master Indenture Obligation No. 12

(a) So long as all amounts that have become due under Master Indenture Obligation No. 12 have been paid, PH shall have the right, at any time and from time to time, to pay in advance and in any order of due dates all or part of the amounts to become due under Master Indenture Obligation No. 12. Prepayments may be made by payments of cash, deposit of Defeasance Securities pursuant to Section 10.2 of the Trust Agreement or surrender and cancellation of Certificates. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the prepayment of Certificates) shall be deposited upon receipt in the Optional Prepayment Account or Special Prepayment Account of the Prepayment Fund, or the Sinking Account of the Principal Fund, created under the Trust Agreement or, at the written direction of PH in an escrow fund established in connection with the prepayment of Certificates, and, at the written request of and as determined by PH, credited against payments due under Master Indenture Obligation No. 12 or used for the prepayment or purchase of Outstanding Certificates in the manner and subject to the terms and conditions set forth in the Master Indenture and the Trust Agreement. Notwithstanding any such prepayment or surrender of Certificates, as long as any Certificates remain Outstanding or any additional payments required to be made hereunder remain unpaid, PH shall not be relieved of its obligations hereunder.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due on Master Indenture Obligation No. 12 as provided in Section 3 hereof and Section 4.5 of the Sale Agreement.

Section 5. Registration, Number, Negotiability and Transfer of Master Indenture Obligation No. 12

(a) The Master Trustee shall keep or cause to be kept at its Corporate Trust Office sufficient books for the registration of transfers of Master Indenture Obligation No. 12.

(b) Except as provided in subsection (c) of this Section, Master Indenture Obligation No. 12 shall consist of a single Master Indenture Obligation without coupons registered...
as to principal and interest in the name of the Trustee, and no transfer of Master Indenture Obligation No. 12 shall be registered under the Master Indenture except for transfers to a successor Trustee.

(c) Upon the principal of all Master Indenture Obligations then Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, Master Indenture Obligation No. 12 may be transferred, if and to the extent the Trustee requests that the restrictions of subsection (b) of this Section on transfers be terminated.

Section 6. **Mutilation, Destruction, Loss and Theft of Master Indenture Obligation No. 12.** If (i) Master Indenture Obligation No. 12 is surrendered to the Master Trustee in a mutilated condition, or PH and the Master Trustee receive evidence to their satisfaction of the destruction, loss or theft of Master Indenture Obligation No. 12, and (ii) there is delivered to PH and the Master Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of proof satisfactory to PH and the Master Trustee that Master Indenture Obligation No. 12 has been acquired by a bona fide purchaser and upon the Holder paying the expenses of PH and the Master Trustee, PH shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Master Indenture Obligation No. 12 or in lieu of such destroyed, lost or stolen Master Indenture Obligation No. 12, a new Master Indenture Obligation No. 12 of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Master Indenture Obligation No. 12 has become or is about to become due and payable, Master Indenture Obligation No. 12 may be paid when due instead of delivering a new Master Indenture Obligation No. 12.

Section 7. **Execution and Authentication of Master Indenture Obligation No. 12.** Master Indenture Obligation No. 12 shall be executed for and on behalf of PH by the Authorized Representative of PH and attested by the Secretary or an assistant secretary of PH. The signatures of either or both of such officers may be mechanically or photographically reproduced on Master Indenture Obligation No. 12. If any officer whose signature appears on Master Indenture Obligation No. 12 ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Master Indenture Obligation No. 12 shall be manually authenticated by an authorized officer of the Master Trustee, without which authentication Master Indenture Obligation No. 12 shall not be entitled to the benefits hereof.

Section 8. **Right to Redeem.** Master Indenture Obligation No. 12 shall be subject to redemption, in whole or in part, prior to maturity at the times and in the amounts applicable to prepayment of the Certificates as specified in the Trust Agreement and in the manner provided herein; provided that in no event shall Master Indenture Obligation No. 12 be redeemed unless a corresponding amount of Certificates is also prepaid in accordance with the terms and subject to the limitations contained in the Trust Agreement. Notice of redemption shall be given to the Holder of Master Indenture Obligation No. 12 at least ten (10) days prior to the date fixed for redemption by first class mail or by Electronic Means (as such term is defined in the Trust Agreement) at the address shown on the registration books maintained by the Master Trustee.

Section 9. **Partial Redemption of Master Indenture Obligation No. 12.** Upon the selection and call for redemption, and the surrender of Master Indenture Obligation
No. 12 for redemption in part only, PH shall cause to be executed and the Master Trustee shall authenticate and deliver to, upon the written order of, the Holder thereof, at the expense of PH, a new Master Indenture Obligation No. 12 in principal amount equal to the unredeemed portion of Master Indenture Obligation No. 12, which new Master Indenture Obligation No. 12 shall be a fully registered Master Indenture Obligation without coupons.

PH may agree with the Holder of Master Indenture Obligation No. 12 that such Holder may, in lieu of surrendering the Master Indenture Obligation for a new fully registered Master Indenture Obligation without coupons, endorse on the Master Indenture Obligation notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of Master Indenture Obligation No. 12 and the Obligated Group and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of Master Indenture Obligation No. 12 by the Holder thereof and irrespective of any error or omission in such endorsement.

Section 10. **Effect of Call for Redemption.** On the date designated for redemption by notice given as herein provided, Master Indenture Obligation No. 12, or the part thereof called for redemption, shall become and be due and payable at the redemption price provided for redemption of Master Indenture Obligation No. 12 or the part thereof called for redemption on such date. If, on the date fixed for redemption, moneys for payment of the redemption price and accrued interest are held by the Trustee, interest on Master Indenture Obligation No. 12, or the part thereof called for redemption, shall cease to accrue and Master Indenture Obligation No. 12, or the part thereof called for redemption, shall cease to be entitled to any benefit or security under the Master Indenture except the right to receive payment from the moneys held by the Master Trustee or the paying agents and the amount of Master Indenture Obligation No. 12 so called for redemption shall be deemed paid and no longer Outstanding.

Section 11. **Form of Master Indenture Obligation No. 12.** Master Indenture Obligation No. 12 shall be in substantially the following form with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Master Indenture and are approved by those officers executing such Master Indenture Obligation on behalf of PH and execution thereof by such officers shall constitute conclusive evidence of such approval.
[Form of Master Indenture Obligation No. 12]

PALOMAR HEALTH

MASTER INDENTURE OBLIGATION NO. 12

$[

Dated: November [closing day], 2022

KNOW ALL BY THESE PRESENTS that PALOMAR HEALTH (“PH”), a local health care district and political subdivision organized and existing under the laws of the State of California, for value received hereby acknowledges on behalf of itself and each Member of the Obligated Group (as such terms are defined in the hereinafter defined Master Indenture) obligated to, and promises to pay to U.S. Bank Trust Company, National Association, as trustee (together with any successor thereto, the “Trustee”) under the Trust Agreement dated as of November 1, 2022 (the “Trust Agreement”), between the California Municipal Finance Authority (the “Authority”) and the Trustee, relating to certificates of participation (the “Certificates”) evidencing proportionate undivided interests in Installment Payments to be made by PH to the Authority pursuant to an Installment Sale Agreement, dated as of November 1, 2022 (the “Sale Agreement”), between the Authority and PH, the principal sum of [in words] dollars ($[ ]), and to pay interest on the unpaid balance of said sum from the date hereof on the dates and in the manner hereinafter described.

This Master Indenture Obligation No. 12 is a single Master Indenture Obligation limited to [in words] dollars ($[ ]) in principal amount (except as provided in the Master Indenture hereinafter identified), designated as “Palomar Health Master Indenture Obligation No. 12” (“Master Indenture Obligation No. 12,” and, together with all other obligations issued under the Master Indenture hereinafter identified, the “Master Indenture Obligations”), issued under and pursuant to the Supplemental Master Indenture for Master Indenture Obligation No. 12, dated as of November 1, 2022 (the “Supplemental Indenture”), supplementing the Master Trust Indenture, dated as of December 1, 2006 (the “Master Trust Indenture”), between PH and U.S. Bank Trust Company, National Association, as successor master trustee to U.S. Bank National Association (the “Master Trustee”). The Master Trust Indenture, as supplemented and amended in accordance with its terms, is hereinafter called the “Master Indenture.” Capitalized terms used herein shall have the meanings assigned to such terms in the Master Indenture.

Principal hereof, interest hereon and any applicable redemption premium are payable, in any coin or currency of the United States of America that on the payment date is legal tender for the payment of public and private debts, on the dates and in the amounts required to be paid by PH pursuant to [[Section 4.1]] of the Sale Agreement. Payments of the principal of and premium, if any, and interest on Master Indenture Obligation No. 12 shall be made by PH (i) depositing or causing to be deposited the same with or to the account of the Trustee at or prior to the opening of business on the day such payments shall become due or payable, and (ii) giving a written notice to the Master Trustee and the Trustee of each payment of principal, interest or premium on Master Indenture Obligation No. 12, that specifies the amount paid, identifies such
payment as a payment on Master Indenture Obligation No. 12, and identifies the Obligated Group Members on whose behalf such payment is made.

PH shall receive credit for payment on this Master Indenture Obligation No. 12 as provided in the Supplemental Indenture.

Upon payment by PH of a sum, in cash or Defeasance Securities (as defined in the Trust Agreement), or both, sufficient, together with any other cash and Defeasance Securities (as defined in the Trust Agreement) held by the Trustee and available for such purpose, to cause all Outstanding (as defined in the Trust Agreement) Certificates to be deemed to have been paid within the meaning of Article X of the Trust Agreement and to pay all other amounts referred to in Article X of the Trust Agreement, accrued and to be accrued to the date of discharge of the Trust Agreement, Master Indenture Obligation No. 12 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture.

Copies of the Master Indenture and the Supplemental Indenture are on file at the Corporate Trust Office of the Master Trustee, in Los Angeles, California, and reference is hereby made to the Master Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holders of Master Indenture Obligations issued under the Master Indenture, the terms and conditions upon which, and the purposes for which, Master Indenture Obligations are to be issued and the rights, duties and obligations of PH and the Master Trustee under the Master Indenture, to all of which the Holder hereof, by acceptance of this Master Indenture Obligation No. 12, assents.

The Master Indenture permits the issuance of additional Master Indenture Obligations under the Master Indenture to be secured by the provisions of the Master Indenture, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Master Indenture Obligations issued under the Master Indenture over any other such Master Indenture Obligations except as expressly provided or permitted in the Master Indenture.

To the extent permitted by and as provided in the Master Indenture, modifications of or changes to the Master Indenture, of any indenture supplemental thereto, and of the rights and obligations of PH and of the Holders of Master Indenture Obligations in any particular may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture or any supplemental indenture. Certain modifications or changes that would affect the rights of the Holders of this Master Indenture Obligation No. 12 may be made only with the consent of the Holders of not less than a majority in aggregate principal amount of Master Indenture Obligations then Outstanding under the Master Indenture and some modifications or changes may only be made with consent of all Holders of Master Indenture Obligations then Outstanding affected thereby, all as further set forth in the Master Indenture.

In the manner and with the effect provided in the Supplemental Indenture, Master Indenture Obligation No. 12 will be subject to redemption and prepayment prior to maturity at the times and in the amounts specified in the Certificates executed and delivered under the Trust Agreement.
Any redemption, either in whole or in part, shall be made upon notice thereof in the manner and upon the terms and conditions provided in the Supplemental Indenture. If this Master Indenture Obligation No. 12 shall have been duly called for redemption and payment of the prepayment price, together with interest accrued thereon to the date fixed for redemption, shall have been made or provided for, as more fully set forth in the Supplemental Indenture, interest on this Master Indenture Obligation No. 12 or upon the portion thereof called for redemption shall cease to accrue from the date fixed for redemption, and from and after such date, this Master Indenture Obligation No. 12 shall be deemed not to be Outstanding and shall no longer be entitled to the benefits of the Master Indenture, and the holder hereof shall have no rights in respect of this Master Indenture Obligation No. 12 other than payment of the redemption price, together with accrued interest to the date fixed for redemption.

Upon the occurrence of certain Events of Default, the principal of all Master Indenture Obligations then Outstanding may be declared, and thereupon shall become, due and payable as provided in the Master Indenture.

The Holder of this Master Indenture Obligation No. 12 shall have no right to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Master Indenture Obligation No. 12 is issuable only as a registered Master Indenture Obligation without coupons.

This Master Indenture Obligation No. 12 shall be subject to the provisions and limitations on registration and transfer as set forth in the Supplemental Indenture.

No covenant or agreement contained in this Master Indenture Obligation No. 12 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of PH or of the Master Trustee in its individual capacity, and no agent, employee, officer or member of the governing board of PH shall be liable personally on this Master Indenture Obligation No. 12 or be subject to any personal liability or accountability by reason of the issuance of this Master Indenture Obligation No. 12.

This Master Indenture Obligation No. 12 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Master Indenture Obligation No. 12 shall have been manually authenticated by the execution by an authorized officer of the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

This Master Indenture Obligation No. 12 shall be governed by and construed in accordance with the laws of the State of California.
IN WITNESS WHEREOF, Palomar Health has caused this Master Indenture Obligation No. 12 to be executed in its name and on its behalf by the manual signature of its duly authorized officer and attested by the manual signature of its Secretary or Assistant Secretary all as of the date first above written.

PALOMAR HEALTH

By_______________________________
Authorized Signatory

ATTEST:

By:_______________________________
Secretary

MASTER TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This Master Indenture Obligation No. 12 is one of the Master Indenture Obligations described in the within-mentioned Master Indenture.

Dated: November [closing day], 2022

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION,
as Master Trustee

By_______________________________
Authorized Signatory

[Remainder of page intentionally left blank]
Section 12. Specification of Purpose of Issue. The proceeds from the execution and delivery of the Certificates under the Trust Agreement shall be used for the purposes described in the Trust Agreement.

Section 13. Ratification of Master Indenture. As supplemented hereby, the Master Indenture is in all respects ratified and confirmed and the Master Indenture as so supplemented hereby shall be read, taken and construed as one and the same instrument.

Section 14. Severability. If any provision of this Supplement No. 12 shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case and any jurisdiction or jurisdictions or in all jurisdictions, or in all cases, because it conflicts with any other provision or provisions hereof or any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses, sections or subsections contained in this Supplement No. 12 shall not affect the remaining portions of this Supplement No. 12 or any part thereof.

Section 15. Counterparts. This Supplement No. 12 may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument. The exchange of copies of this Supplement No. 12 and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplement No. 12 as to the parties hereto and may be used in lieu of the original Supplement No. 12 and signature pages for all purposes.

Section 16. Governing Law. This Supplement No. 12 shall be governed by and construed in accordance with the laws of the State of California.

[Remainder of page intentionally left blank]
IN WITNESS WHEREOF, Palomar Health has caused these presents to be signed in its name and on its behalf by one of its duly authorized officers and to evidence its acceptance of the trusts hereby created the Master Trustee has caused these presents to be signed in its name and on its behalf by one of its duly authorized officers, all as of the day and year first above written.

PALOMAR HEALTH,
as Credit Group Representative

By____________________________________
Authorized Representative

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION,
as Master Trustee

By____________________________________
Authorized Officer
$AAA,000,000
CERTIFICATES OF PARTICIPATION
EVIDENCING PROPORTIONATE UNDIVIDED INTERESTS
IN INSTALLMENT PAYMENTS TO BE MADE BY
PALOMAR HEALTH

CERTIFICATE PURCHASE AGREEMENT

[Pricing Date], 2022

California Municipal Finance Authority
c/o Sierra Management Group, Financial Advisor
2111 Palomar Airport Road, Suite 320
Carlsbad, California 90201

Palomar Health
456 E. Grand Avenue
Escondido, California 92025
Attention: Chief Financial Officer

Ladies and Gentlemen:

Citigroup Global Markets Inc. (the “Underwriter”) offers to enter into this Certificate Purchase Agreement (this Certificate Purchase Agreement, including the Letter of Representation attached hereto as Exhibit A being herein called the “Certificate Purchase Agreement”) with California Municipal Finance Authority (the “Authority”), and accepted and approved by Palomar Health, a political subdivision of the State of California and a local health care district (“Palomar Health”), formed by a vote of Palomar Health’s electorate in 1948, and organized pursuant to Division 23 of the Health and Safety Code of the State, which, upon acceptance by the Authority and approval by Palomar Health, will be binding upon the Authority and the Underwriter. This offer is made subject to the Authority’s acceptance on or before 8:59 p.m., California time, on the date hereof, provided, however that such time may be extended by the Authority until such time as the Underwriter has provided the Authority and Palomar Health with final pricing of the Certificates (defined below). If not so accepted, this offer will be subject to withdrawal by the Underwriter upon written notice delivered to the Authority and Palomar Health at any time prior to such acceptance. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Official Statement (defined herein).

SECTION 1. PURCHASE, SALE AND DELIVERY OF THE CERTIFICATES.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein and in the Letter of Representation, dated the date hereof (the “Letter of Representation”), executed and delivered by Palomar Health and attached hereto as Exhibit A, the Underwriter hereby agrees to purchase from the Authority, and the
Authority hereby agrees to sell to the Underwriter, all (but not less than all) of the $AAA,000,000 certificates of participation evidencing a proportionate interest of the holders thereof in Installment Payments (as defined herein) to be made by Palomar Health pursuant to the Sale Agreement (as defined herein) (the “Certificates”), all dated, with the principal represented thereby coming due on the dates, and containing such other terms as set forth in Exhibit B hereto and in the Trust Agreement, dated as of November 1, 2022 (the “Trust Agreement”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), relating to the Certificates. The aggregate purchase price of the Certificates shall be $__________ (representing the principal amount of $AAA,000,000.00, plus a [net] original issue [premium/discount] of $__________, and less and underwriter’s discount of $__________).

(b) The Certificates evidence proportionate undivided ownership interests of the registered holders thereof in certain installment payments (the “Installment Payments”) to be made by Palomar Health in connection with an Installment Sale Agreement dated as of November 1, 2022 (the “Sale Agreement”) between the Authority and Palomar Health. The Certificates will be executed and delivered pursuant to the Trust Agreement in order to provide all or a portion of the funds necessary (i) to finance and/or reimburse Palomar Health for certain costs incurred or to be incurred in connection with the acquisition, construction, expansion, renovation, improvement and equipping of certain health care facilities, owned and operated (or to be owned and operated) by Palomar Health, (ii) to currently refund and prepay all of the outstanding certificates of participation evidencing proportionate interests of the holders thereof in installment payments to be made by Palomar Health (f/k/a Palomar Pomerado Health) executed and delivered on December 7, 2006 in the original aggregate principal amount of $180,000,000, $_______ of which remain outstanding (the “Series 2006 Certificates”), (iii) to pay certain swap termination payments, and (iv) to pay certain costs associated with the execution and delivery of the Certificates.

(c) Pursuant to a Purchase Agreement dated as of November 1, 2022 (the “Purchase Agreement”) between Palomar Health and the Authority, Palomar Health will sell to the Authority an interest in the Real Property (as defined in the Purchase Agreement). Simultaneously therewith, the Authority will sell the Real Property back to Palomar Health pursuant to the Sale Agreement in consideration for which Palomar Health will make Installment Payments to the Authority. The Authority has irrevocably assigned the Installment Payments to the Trustee in consideration for payment to the Authority of the proceeds derived from the sale of the Certificates. Such proceeds shall be paid to Palomar Health as consideration for the purchase of the Real Property pursuant to the Purchase Agreement.

(d) Pursuant to a Master Trust Indenture, dated as of December 1, 2006, as amended and supplemented (the “Master Indenture”), among Palomar Health, Arch Health Partners, Inc. (“Arch” and, together with Palomar Health, the “Members of the Obligated Group”) and U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, as successor to U.S. Bank National Association, as master trustee (the “Master Trustee”), and a Supplemental Master Indenture for Master Indenture Obligation No. 12, dated as of November 1, 2022 (the “Supplemental Indenture”), between Palomar Health, as Credit Group Representative,
and the Master Trustee, Palomar Health will issue its Master Indenture Obligation No. 12, dated [Closing Date], 2022 ("Obligation No. 12"), to evidence the obligation of the Members of the Obligated Group to make payments in amounts sufficient to pay, when due, the payments due from Palomar Health under the Sale Agreement.

(e) In order to assist the Underwriter in complying with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), Palomar Health, for itself and on behalf of the Obligated Group, will execute and deliver a Continuing Disclosure Undertaking, dated [Closing Date], 2022 (the "Continuing Disclosure Undertaking"), to provide for the delivery of annual and quarterly reports of the Obligated Group and notices of certain events relating to the Certificates. A form of the Continuing Disclosure Undertaking is attached to the Preliminary Official Statement (as defined below) and will also be attached to the Official Statement.

(f) The Underwriter agrees to make a bona fide public offering of each Certificate representing the principal of Installment Payments coming due on each date (referred herein as the "maturity" of the Certificate) at a price not in excess of the initial offering price or prices or yields not less than the yields set forth for such maturity on the inside cover page of the printed paper form of the Official Statement; provided, however, the Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary or desirable, in its sole discretion, in connection with the marketing of the Certificates, and may offer and sell the Certificates to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by the Underwriter at prices lower than the public offering prices or yields greater than the yields set forth therein.

(g) The Authority has delivered or caused to be delivered to the Underwriter, and hereby ratifies, confirms and approves of the distribution by the Underwriter of, the Preliminary Official Statement, dated October __, 2022 (the "Preliminary Official Statement"), relating to the Certificates. The Authority confirms that the statements and information therein under the headings "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION — The Authority" are hereby deemed final for purposes of Rule 15c2-12. The Authority hereby agrees to deliver or cause to be delivered to the Underwriter, promptly after acceptance hereof, copies of the final Official Statement, dated the date hereof (the "Official Statement"), signed and approved on behalf of the Obligated Group, by an authorized officer or officers or an authorized representative. The Authority agrees to deliver or cause to be delivered to the Underwriter, within seven Business Days of the date hereof and in any event not later than two Business Days before the Closing Date, copies of the Official Statement, in such quantity as the Underwriter shall reasonably request in order to permit the Underwriter to comply with Rule 15c2-12. The Authority hereby approves of the distribution by the Underwriter of the Official Statement, the Trust Agreement, the Sale Agreement, the Purchase Agreement and other pertinent documents referred to in Section 3 hereof to be used in connection with the public offering and sale of the Certificates. It is acknowledged by the Authority that the Underwriter may deliver the Preliminary Official Statement and a final Official Statement electronically over the internet or in printed paper form. For purposes of this Certificate Purchase Agreement, the printed paper form of the Preliminary Official Statement and the Official Statement are deemed controlling.
(h) At 8:00 a.m., California time, on [Closing Date], 2022, or at such earlier or later time or date as shall be agreed by the Authority, Palomar Health and the Underwriter (such time and date being herein referred to as the “Closing Date” or the “Closing”), the Authority will cause to be delivered (i) to or upon the order of The Depository Trust Company (“DTC”), for the account of the Underwriter, the Certificates, in the form of a separate single fully registered Certificate (which may be typewritten) for each maturity of the Certificates (all of the Certificates to bear CUSIP numbers), duly executed by the Authority and authenticated by the Trustee, such Certificates to be delivered to the Trustee as agent of DTC under the Fast Automated Security Transfer System, and (ii) the other documents herein required to be delivered to the Underwriter at the San Francisco, California, offices of Orrick, Herrington & Sutcliffe LLP, bond counsel to Palomar Health (“Bond Counsel”); and the Underwriter will accept such delivery and pay the purchase price of the Certificates as set forth in paragraph (a) of this Section by federal funds wire transfer to or upon the order of the Authority. Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Certificates on the Closing Date in accordance with the terms of this Certificate Purchase Agreement. Upon initial issuance, the ownership of such Certificates shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of DTC. A copy of the Certificates shall be made available to the Underwriter prior to the Closing Date for purposes of inspection.

SECTION 2. REPRESENTATIONS AND AGREEMENTS OF THE AUTHORITY.

The Authority represents and agrees with the Underwriter and Palomar Health that:

(a) The Authority is duly organized and existing under the laws of the State of California and has full power and authority to adopt the Resolution No. 22-___, adopted by the Authority on [October 14], 2022 (the “Authority Resolution”) and to enter into and to perform its obligations under the Trust Agreement, the Sale Agreement, the Purchase Agreement and this Certificate Purchase Agreement (collectively, the “Authority Documents”). The Authority has taken all necessary action and has complied with all provisions of the Act required to make the Authority Documents, and the Authority Documents will be, when executed and delivered by the respective parties thereto, the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights generally or affecting remedies against agencies such as the Authority, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The Certificates, when duly authenticated, executed and delivered, will be the legal, valid and binding obligations of the Authority enforceable in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights generally or affecting remedies against agencies such as the Authority, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases;
(b) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has authorized the distribution of the Preliminary Official Statement and the Official Statement and authorized and approved the execution and delivery of the Authority Documents and the consummation by the Authority of the transactions contemplated thereby;

(c) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending, or to the knowledge of the Authority, threatened, against the Authority, seeking to restrain or enjoin the sale or the execution and delivery of the Certificates, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Certificates, in any way contesting the validity or enforceability of the Authority Documents or the existence or powers of the Authority relating to the sale of the Certificates;

(d) The statements and information contained in the Preliminary Official Statement, as of its date, and the Official Statement, as of the date hereof, under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION — The Authority” are true and correct in all material respects, and such information does not contain an untrue statement of a material fact or omit any statement or information concerning the Authority which is necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(e) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, at the expense of the Underwriter or Palomar Health as the Underwriter may reasonably request in endeavoring (i) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Certificates; provided, however, that in no event shall the Authority be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(f) The Authority is not in any material way in breach of or default under (i) any applicable law or administrative regulation of the state or any jurisdiction in which it conducts business or the United States or any applicable judgment or decree or (ii) any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which it is a party or is otherwise so subject. No event has occurred and is continuing which, with the passage of time, the giving of notice or both, would constitute an event of default under any of the instruments mentioned in the preceding sentence. The execution and delivery by the Authority of the Authority Documents and compliance with the provisions on the Authority’s part contained therein will not conflict with or constitute a
material breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or 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 properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents;

(g) If by the 90th day after the “end of the underwriting period” (as defined in Rule 15c2-12), an event occurs, of which the Authority has knowledge, which might or would cause the information contained in the Official Statement under the heading “THE AUTHORITY” or “ABSENCE OF MATERIAL LITIGATION — The Authority” as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, or if the Authority is notified by any Member of the Obligated Group pursuant to the provisions of the Letter of Representation or otherwise requested to amend, supplement or otherwise change the Official Statement, the Authority will notify the Underwriter and Palomar Health, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with Palomar Health and the Underwriter to amend or supplement the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid by Palomar Health;

(h) During the period described in the preceding paragraph, (a) the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, Palomar Health or the Underwriter shall reasonably object in writing or which shall be disapproved by any of their respective counsel and (b) if any event relating to or affecting the Authority shall occur as a result of which it is necessary, in the opinion of counsel for the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will cooperate with Palomar Health and the Underwriter to prepare and furnish to the Underwriter and Palomar Health (at the expense of Palomar Health) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading;

(i) The Authority, to the extent within its control, has obtained all consents, permissions and authorizations necessary in connection with the execution and delivery by the Authority of this Certificate Purchase Agreement and the execution and delivery
by the Authority of the other Authority Documents at the Closing, and the consummation of the transactions herein and therein contemplated by the Authority;

(j) The execution and delivery of this Certificate Purchase Agreement by the Authority shall constitute a representation by the Authority to the Underwriter that the representations and agreements contained in this Section are true as of the date hereof; provided, however, that as to information furnished by Palomar Health pursuant to this Certificate Purchase Agreement, the Authority is relying solely on such information in making the Authority’s representations and agreements, and as to all matters of law the Authority is relying on the advice of Bond Counsel or other counsel to the Authority; and provided further, that no member, officer, agent or employee of the governing body of the Authority shall be individually liable for the breach of any representation, warranty or agreement contained herein; and

(k) The Authority hereby certifies that there has been delivered to the Underwriter of the Certificates the Preliminary Official Statement, which the Authority deems to be final as of its date for purposes of Rule 15c2-12, except for information permitted to be omitted therefrom by Rule 15c2-12; provided, however, that the foregoing certification as to the finality of the Preliminary Official Statement only addresses those statements in the Preliminary Official Statement concerning the Authority under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION — The Authority.”

SECTION 3. CONDITIONS TO THE OBLIGATIONS OF THE UNDERWRITER.

The obligation of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations, warranties and agreements on the part of the Authority contained herein and on the part of Palomar Health in the Letter of Representation, as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and the representatives of Palomar Health made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the Authority of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) Prior to or simultaneously with the execution of this Certificate Purchase Agreement, the Underwriter shall have received from Palomar Health the Letter of Representation, dated the date of this Certificate Purchase Agreement, addressed to the Underwriter and the Authority, in the form attached hereto as Exhibit A;

(b) The Underwriter shall have received from Moss Adams LLP, (i) on or prior to the date hereof, an executed copy of its letter, with work extending to a date not more than five days prior to the date hereof, substantially in the form of Exhibit D hereto (the “Procedures Letter”), and (ii) on or prior to the respective dates of printing thereof, its consent to the inclusion of its audit report on the consolidated financial statements of
the Palomar Health that are included in the Preliminary Official Statement and the Official Statement;

(c) Within seven Business Days of the date hereof, and in any event not later than two Business Days prior to the Closing Date, at the expense of Palomar Health, the Underwriter shall have received definitive copies of the Official Statement (including all information previously permitted to have been omitted therefrom by Rule 15c2-12 and any amendments or supplements as have been approved by the Authority, the Credit Group Representative and the Underwriter) in such quantity as the Underwriter shall have reasonably requested. Palomar Health shall prepare or cause to be prepared the Official Statement, including any amendments thereto, in word-searchable PDF format as described in MSRB Rule G-32 and shall provide or cause to be provided the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter no later than two Business Days prior to the Closing Date. The Underwriter agrees promptly thereafter to file a copy of the Official Statement with the Municipal Securities Rulemaking Board (“MSRB”).

(d) At the Closing Date, the Master Indenture, the Trust Agreement, the Sale Agreement, the Purchase Agreement, the Supplemental Indenture, Obligation No. 12, the Tax Certificate, dated the date of delivery of the Certificates, delivered by Palomar Health (the “Tax Certificate”), the Continuing Disclosure Undertaking (collectively, the “Legal Documents”), and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto in substantially the forms heretofore submitted to the Underwriter with only such changes as shall have been agreed to by the Underwriter, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter, and there shall have been taken in connection therewith, with the execution and delivery of the Certificates and with the transactions contemplated thereby and by this Certificate Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate.

(e) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter.

(f) Between the date hereof and the Closing Date, the market price or marketability of the Certificates or the ability of the Underwriter to enforce contracts for the sale of the Certificates at the initial offering prices (or yields) set forth in the Official Statement shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the Authority and Palomar Health terminating the obligation of the Underwriter to accept delivery of and pay for the Certificates), by reason of any of the following:

(i) an event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements
contained therein not misleading in any material respect and, in either such event, (a) the Authority or Palomar Health refuse to permit the Official Statement to be supplemented to supply such statement or information or (b) the effect of the Official Statement as so supplemented is, in the reasonable judgment of the Underwriter, to materially adversely affect the market price or marketability of the Certificates or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Certificates; or

(ii) legislation shall be enacted by, reported out of committee, or recommended for passage by the State of California, either House of the Congress, or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or a decision by a court of competent jurisdiction shall be rendered, or a regulation or filing shall be issued or proposed by or on behalf of the Department of the Treasury or the Internal Revenue Service of the United States, or other agency of the federal government, or a release or official statement shall be issued by the President, the Department of the Treasury or the Internal Revenue Service of the United States, in any such case with respect to or affecting (directly or indirectly) the federal or state taxation of interest received on obligations of the general character of the Certificates; or

(iii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering, sale or distribution of obligations of the general character of the Certificates is in violation or would be in violation of any provisions of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"); or

(iv) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Certificates, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Certificates, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise,
is or would be in violation of federal securities laws as amended and then in
effect;

(v) there shall have occurred (1) any outbreak or escalation of
hostilities, declaration by the United States of a national or international
emergency or war; or (2) any other calamity or crisis (or any escalation thereof)
on financial markets in the United States or elsewhere, the effect of which on the
financial markets is such as to make it impractical to proceed with the offering or
delivery of the Certificates as contemplated by the Official Statement; or

(vi) there shall have occurred a general suspension of trading in
securities on the New York Stock Exchange or there shall have been established
by order of the Securities and Exchange Commission or any other governmental
agency having jurisdiction or any national securities exchange (i) additional
material restrictions not in force as of the date hereof that limit prices on such
trading or (ii) materially increased restrictions now in force that limit prices on
such trading; or

(vii) a general banking moratorium shall have been declared by federal
or New York or California state authorities or a major financial crisis or a material
disruption in commercial banking or securities settlement or clearances services
shall have occurred; or

(viii) (i) a downgrading or suspension of any rating (without regard to
credit enhancement) by Moody’s Investors Service, Inc. ("Moody’s"), S&P
Global Ratings ("S&P") or Fitch Ratings ("Fitch") of any debt securities of the
Obligated Group or (ii) there shall have been any official statement as to a
possible downgrading (such as being placed on “credit watch” or “negative
outlook” or any similar qualification) of any rating by Moody’s, S&P or Fitch of
any debt securities of the Obligated Group, including the Certificates; or

(ix) any change in or particularly affecting the Authority, the Joint
Exercise of Powers Agreement Relating to the California Municipal Finance
Authority, dated as of January 1, 2004, the Authority Resolution, the Legal
Documents or the Installment Payments as the foregoing matters are described in
the Official Statement.

(g) At or prior to the Closing Date, the Underwriter shall have received the
following documents, in each case reasonably satisfactory in form and substance to the
Underwriter and, in the case of any document addressed to parties other than the
Underwriter, such other parties:

(i) The Legal Documents and the Authority Documents, each duly
executed and delivered by the respective parties thereto, with only such
amendments, modifications or supplements as may have been agreed to in writing
by the Underwriter.
(ii) The unqualified approving opinion related to the Certificates, dated the Closing Date and addressed to the Authority, with a reliance letter thereon addressed to the Underwriter, of Bond Counsel in substantially the form attached to the Official Statement as Appendix E, together with a supplemental opinion of Bond Counsel addressed to the Authority and the Underwriter in substantially the form attached hereto as Exhibit E.

(iii) The opinion of Jones Hall, counsel to the Authority ("Authority Counsel"), dated the Closing Date in substantially the form attached hereto as Exhibit F.

(iv) The opinion of [the Chief Legal Officer of Palomar Health], dated the date of Closing, addressed to the Authority, U.S. Bank Trust Company, National Association, in its capacity as Trustee and Master Trustee, the Underwriter and Bond Counsel, in substantially the form set forth as Exhibit G.

(v) The opinion of Chapman and Cutler LLP, counsel to the Underwriter, dated the Closing Date, in form and substance satisfactory to the Underwriter.

(vi) A certificate, dated the Closing Date and signed by an authorized signatory of the Authority or such other authorized official of the Authority as is acceptable to the Underwriter, to the effect:

1. that the representations and warranties of the Authority contained in the Authority Documents were, as of the respective dates thereof, and are, on and as of the Closing Date, true and correct in all material respects with the same effect as if made on the Closing Date;

2. that the Authority has complied with all agreements, covenants and conditions to be complied with by the Authority on or prior to the Closing Date under the Authority Documents, and is not aware of any other conditions of the Authority Documents that have not been satisfied as of the Closing Date;

3. that all things, conditions and acts required by the laws of the State of California and the Authority Documents to exist, to have happened and to have been performed precedent to and in the execution and delivery of the Certificates, do exist, have happened and have been performed in due time, form and manner as required by law;
(4) that to the best knowledge of the undersigned, no litigation or other proceedings are pending or threatened in any court or other tribunal of competent jurisdiction, state or federal:

A. to restrain or enjoin the execution or delivery of any of the Certificates by the Trustee or the Authority’s ability to assign its rights to receive Installment Payments to the Trustee,

B. in any way contesting or affecting the authority for the execution and delivery of the Certificates or the validity of the Certificates or the Authority Documents, or

C. in any way contesting the existence or powers of the Authority or the title to office of the officers thereof;

(vii) A certificate of an officer of the Credit Group Representative, dated the Closing Date, to the effect that:

(1) since June 30, 2022, no material adverse change has occurred in the financial position or results of operation of Palomar Health or any Member of the Obligated Group that is not described in the Official Statement;

(2) since June 30, 2022, the Obligated Group has not incurred any material liabilities other than in the ordinary course of business which are not described in the Official Statement;

(3) other than as described in the Official Statement, no litigation is pending or, to the knowledge of Palomar Health, threatened against the Members of the Obligated Group (a) to restrain or enjoin the issuance or delivery of any of the Certificates by the Authority or the assignment to the Trustee of the Authority’s rights to receive Installment Payments, (b) in any way contesting or affecting the authority for the execution and delivery of the Certificates or the validity of the Certificates, the Trust Agreement, the Sale Agreement, the Purchase Agreement, the Master Indenture, the Supplemental Indenture, Obligation No. 12, the Tax Certificate, the Continuing Disclosure Undertaking, this Certificate Purchase Agreement or the Letter of Representation, or (c) in any way contesting the corporate existence or powers of any Member of the Obligated Group;

(4) other than as described in the Official Statement, no proceedings are pending or, to the knowledge of Palomar Health, threatened that in any way contest or affect the status of Arch as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), which is not a private foundation as
described in Section 509(a) of the Code or that would subject any income of any Member of the Obligated Group to federal income taxation other than taxation in respect of unrelated business taxable income;

(5) no event affecting the Obligated Group has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect;

(6) the representations and warranties made by the Obligated Group in the Sale Agreement, the Purchase Agreement, the Continuing Disclosure Undertaking and the Letter of Representation are true and correct as of the Closing Date, provided that, as to the representations contained in the Letter of Representation, references to “the date hereof” shall be deemed to be to the Closing Date; and

(7) as of the Closing Date, the Obligated Group shall have taken all such actions as may be necessary under Division 9 of the California Commercial Code, to create or continue a perfected security interest in the Gross Revenues (as such term is defined in the Master Indenture) of the Members of the Obligated Group in favor of the Master Trustee to the extent a security interest can be perfected in such collateral under the UCC by the filing of a financing statement in the office of the California Secretary of State (subject to Permitted Liens (as such term is defined in the Master Indenture)), in favor of the Master Trustee, as granted under the Master Indenture.

(viii) A certified copy of the Authority Resolution authorizing the execution and delivery of the Certificates, the Trust Agreement, the Sale Agreement, the Purchase Agreement, the Official Statement and this Certificate Purchase Agreement.

(ix) (a)(1) Copies of the materials relating to the formation and name change of Palomar Health, including the resolution adopted by the Board of Supervisors of the County of San Diego on June 21, 1948, declaring the organization of Palomar Health and the materials on file with the Secretary of the State of the State of California concerning Palomar Health, (2) a certified copy of the bylaws of Palomar Health, and (3) a certified copy of the resolutions of the governing body of Palomar Health, authorizing the execution and delivery by Palomar Health, on its own behalf and as Credit Group Representative, as applicable, of the Sale Agreement, the Purchase Agreement, the Tax Certificate, the Continuing Disclosure Undertaking, the Master Indenture, the Supplemental Indenture, Obligation No. 12 and the Letter of Representation and approving this Certificate Purchase Agreement, the Preliminary Official Statement and the...
Official Statement (and distribution thereof), and the Trust Agreement and the execution and delivery of the Certificates; and (b)(1) the articles of incorporation for Arch certified by the Secretary of the State of the State of California, (2) a certified copy of the bylaws of Arch, (3) a certificate of status of recent date, each certified by the Secretary of State of the State of California for Arch, and (4) a certificate of status of recent date certified by the Franchise Tax Board of the State of California for Arch.

(x) Evidence that Arch is an organization described in Section 501(c)(3) of the Code and is not a private foundation as described in Section 509(a) of the Code.

(xi) A copy of the completed Form 8038 of the Internal Revenue Service, executed by the Authority.

(xii) Evidence that the approval of the “applicable elected official” after a public hearing, all as described in Section 147(f) of the Code, has been obtained (and such hearing has been held) with respect to the Certificates.

(xiii) Two copies of the Official Statement executed on behalf of Palomar Health, on behalf of itself and as Credit Group Representative, by an authorized officer or representative of Palomar Health.

(xiv) Evidence that the Certificates have been rated “[__]” by Fitch, and “[__]” by Moody’s.

(xv) [An opinion of counsel to the Trustee and Master Trustee, dated the Closing Date, addressed to the Authority, Palomar Health and the Underwriter, in form and substance satisfactory to counsel for the Underwriter, Authority Counsel, counsel to the Obligated Group and Bond Counsel, in form and substance satisfactory to the Underwriter.]

(xvi) Certificates of the Obligated Group demonstrating that the Obligated Group has satisfied the requirements of the Master Indenture to deliver Obligation No. 12.

(xvii) A blue sky memorandum prepared by counsel to the Underwriter.

(xviii) A certificate of the Trustee to the effect that all moneys delivered to the Trustee under and pursuant to the Trust Agreement have been duly deposited to the credit of the appropriate funds established under or in accordance with the Trust Agreement or otherwise applied as provided in the Trust Agreement and that the Trustee has no knowledge of any default under the Trust Agreement.
(xix) A certificate of an authorized officer of the Master Trustee, acceptable to the Underwriter, dated the Closing Date, to the effect that (i) such authorized officer is duly authorized to execute the Supplemental Indenture and to authenticate Obligation No. 12 and (ii) such authorized officer duly executed the Supplemental Indenture and duly authenticated Obligation No. 12, together with the certified Bylaws or other evidence of authority of the Master Trustee authorizing such authorized officer to execute the Supplemental Indenture and to authenticate Obligation No. 12.

(xx) A letter of Moss Adams LLP dated the Closing Date with a work cut-off no more than five business days prior to the Closing Date, dating down the Procedures Letter.

(xxi) A defeasance opinion of Bond Counsel, relating to the Series 2006 Certificates.

(xxii) Such additional legal opinions, certificates, resolutions, proceedings, instruments and other documents as the Underwriter, its counsel or Bond Counsel may reasonably request to evidence compliance by the Authority and Palomar Health with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the Authority contained herein and of Palomar Health contained in the Letter of Representation, and the due performance or satisfaction by the Authority and Palomar Health at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and Palomar Health.

If the Authority shall be unable to satisfy the conditions to the Underwriter’s obligations contained in this Certificate Purchase Agreement or if the Underwriter’s obligations shall be terminated for any reason permitted by this Certificate Purchase Agreement, this Certificate Purchase Agreement may be cancelled by the Underwriter at, or at any time before, the time of the Closing and, upon such cancellation, the Underwriter, the Authority and Palomar Health shall not be under further obligation hereunder except as provided in Section 5 hereof. Notice of such cancellation shall be given by the Underwriter to the Authority and Palomar Health in writing or by telephone and promptly confirmed in writing. The performance by the Authority of any and all conditions contained in this Certificate Purchase Agreement for the benefit of the Underwriter may be waived by the Underwriter.

SECTION 4. CONDITIONS TO THE OBLIGATIONS OF THE AUTHORITY.

The obligations of the Authority to execute and deliver the Certificates on the Closing Date shall be subject, at the option of the Authority, to the performance by the Underwriter of their obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) The Trust Agreement, the Sale Agreement, the Purchase Agreement, the Supplemental Indenture, Obligation No. 12, the Continuing Disclosure Undertaking and
this Certificate Purchase Agreement shall have been executed by the respective parties thereto;

(b) No order, decree, injunction, ruling or regulation of any court, regulatory agency, public board or body shall have been issued nor shall any legislation have been enacted with the purpose or effect, directly or indirectly, of prohibiting the offering, sale or execution and delivery of the Certificates as contemplated by the Certificate Purchase Agreement or by the Official Statement;

(c) The documents contemplated by Section 3(g) to be delivered or addressed to the Authority shall have been delivered to the Authority substantially in the forms set forth herein or in form and substance satisfactory to Bond Counsel, Authority Counsel and counsel to the Underwriter;

(d) The Authority’s issuance fee shall have been paid by wire transfer or in other immediately available funds or arrangements reasonably satisfactory to the Authority shall have been made to pay such fees from the proceeds of the Certificates or otherwise.

SECTION 5. EXPENSES.

All reasonable fees, expenses and costs in connection with the authorization, issuance and sale of the Certificates to the Underwriter, including printing costs, CUSIP Service Bureau fees, fees and expenses of consultants and auditors, fees and expenses of rating agencies, reasonable fees and expenses of Bond Counsel, counsel to the Trustee and the Master Trustee, reasonable fees and expenses of the Underwriter in connection with qualification of the Certificates for sale under the Blue Sky or other securities laws and regulations of various jurisdictions, preparation and printing of a blue sky survey, preparation of the Preliminary Official Statement and the Official Statement, and all fees and expenses of the Trustee and the Master Trustee shall be paid by Palomar Health. All expenses and costs of the Authority incident to the performance of its obligations in connection with the authorization, issuance and sale of the Certificates to the Underwriter, including any out-of-pocket disbursements of the Authority, shall be paid by Palomar Health. Palomar Health shall pay for expenses incurred on behalf of Palomar Health’s and the Authority’s employees which are incidental to implementing this Certificate Purchase Agreement, including, but not limited to, meals, transportation, and lodging of those employees.

All fees and expenses to be paid by Palomar Health pursuant to this Certificate Purchase Agreement may be paid from Certificate proceeds to the extent permitted by the Trust Agreement, the Tax Certificate and the Code. Notwithstanding anything to the contrary herein or in the Letter of Representation, all out-of-pocket expenses of the Underwriter, including travel and other expenses, the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review, as well as CDIAC or MSRB fees relating to the Certificates, and fees and expenses of counsel to the Underwriter, shall be paid by the Underwriter out of the expense component of the Underwriter’s discount. Notwithstanding that CDIAC fees are solely the legal obligation of the Underwriter, Palomar Health agrees to reimburse the Underwriter for such fees.
SECTION 6. NOTICES.

Any notice or other communication to be given to the Authority under this Certificate Purchase Agreement may be given by delivering the same in writing at California Municipal Finance Authority, c/o Sierra Management Group, Financial Advisor, 2111 Palomar Airport Road, Suite 320, Carlsbad, California 92011, and any such notice or other communications to be given to the Underwriter may be given by delivering the same in writing to the Underwriter at Citigroup Global Markets Inc., 300 South Grand Avenue, Suite 3110, Los Angeles, California 90071, Attention: Chad Kenan, and any such notice or other communications to be given to Palomar Health may be given by delivering the same in writing to Palomar Health at 456 E. Grand Avenue, Escondido, California 92025, Attention: Chief Financial Officer.

SECTION 7. CHOICE OF LAW AND VENUE.

This Certificate Purchase Agreement and the Certificates are contracts made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Certificate Purchase Agreement and the Certificates shall be enforceable in the State of California, and any action arising out of this Certificate Purchase Agreement or the Certificates shall be filed and maintained in San Diego County, California, unless the Authority waives this requirement.

SECTION 8. LIMITATION OF LIABILITY OF THE AUTHORITY.

The Authority shall not be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions of any conceivable kind under any conceivable theory under this Certificate Purchase Agreement or any document or instrument referred to herein or by reason of or in connection with this Certificate Purchase Agreement or other document or instrument except to the extent it receives amounts from or on behalf of the Obligated Group available for such purpose.

SECTION 9. NO ADVISORY OR FIDUCIARY ROLE.

The Authority acknowledges and agrees that (i) the purchase and sale of the Certificates pursuant to this Certificate Purchase Agreement is an arm’s-length commercial transaction between the Authority and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the Authority or the Members of the Obligated Group, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority or the Members of the Obligated Group with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority or the Members of the Obligated Group on other matters) and the Underwriter has no obligation to the Authority or the Members of the Obligated Group with respect to the offering contemplated hereby except the obligations
expressly set forth in this Certificate Purchase Agreement and (iv) the Authority has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

Section 10. Miscellaneous.

This Certificate Purchase Agreement is made solely for the benefit of the Authority, the Members of the Obligated Group and the Underwriter (including the successors or assigns of the Underwriter) and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. This Certificate Purchase Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. This Certificate Purchase Agreement, including the Exhibits hereto, embodies the entire agreement and understanding between the parties relating to the subject matter hereof and supersedes all prior agreements and understandings related to such subject matter, and it is agreed that there are no terms, understandings, representations or warranties, express or implied, other than those set forth herein.

Section 11. Establishment of Issue Price.

The Underwriter shall assist the Authority and Palomar Health in establishing the issue price of the Certificates and shall execute and deliver to the Authority and Palomar Health at the closing of the sale of the Certificates contemplated hereby an “issue price” or similar certificate substantially in the form attached hereto as Exhibit C, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority, Palomar Health and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates.

[Except as otherwise set forth on Exhibit C hereto,] the Authority shall treat the first price at which 10% of each maturity of the Certificates (the “10% test”) is sold to the public as the issue price of that maturity (provided that if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Certificate Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Certificates.

The Underwriter confirms that it has offered the Certificates to the public on or before the date of this Certificate Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit C attached hereto, except as otherwise set forth therein. Exhibit C also sets forth, as of the date of this Certificate Purchase Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
(a) the close of the fifth (5th) business day after the sale date; or

(b) the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the Authority when it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The Underwriter confirms that:

(a) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(1) (A) to report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it until either all the Certificates of that maturity allocated to it have been sold or is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity and (B) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter, and

(2) to promptly notify the Underwriter of any sales of the Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below), together with an acknowledgement that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

The Authority and Palomar Health acknowledge that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The Authority and Palomar Health further acknowledge that the Underwriter shall not be liable for the failure of any
dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates. The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this Section 11:

(a) "public" means any person other than an underwriter or a related party,

(b) "underwriter" means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public),

(c) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(d) "sale date" means the date of execution of this Certificate Purchase Agreement by all parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]
Very truly yours,

CITIGROUP GLOBAL MARKETS INC.,
as Underwriter

By: _________________________________
    Authorized Representative

Accepted and agreed to on the date first above written:

CALIFORNIA MUNICIPAL FINANCE
   AUTHORITY

By: _________________________________
    Authorized Signatory

Approved and accepted by:

PALOMAR HEALTH, for itself and on behalf of
   the Obligated Group

By: _________________________________
Its: _________________________________
EXHIBIT A

LETTER OF REPRESENTATION

[Pricing Date], 2022

California Municipal Finance Authority
Carlsbad, California

Citigroup Global Markets Inc., as Underwriter
Los Angeles, California

Ladies and Gentlemen:

Pursuant to a Certificate Purchase Agreement, dated [Pricing Date], 2022 (the “Certificate Purchase Agreement”), between Citigroup Global Markets Inc. (the “Underwriter”) and the California Municipal Finance Authority (the “Authority”) and accepted and approved by the undersigned, Palomar Health, a political subdivision of the State of California and a local health care district (“Palomar Health”), formed by a vote of Palomar Health’s electorate in 1948, and organized pursuant to Division 23 of the Health and Safety Code of the State, the Authority proposes to issue $AAA,000,000 certificates of participation evidencing a proportionate interest of the holders thereof in Installment Payments (as defined herein) to be made by Palomar Health pursuant to the Sale Agreement (as defined herein) (the “Certificates”). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Certificate Purchase Agreement.

The offering of the Certificates is described in a Preliminary Official Statement, dated October __, 2022 (the “Preliminary Official Statement”), and an Official Statement, dated the date hereof (the “Official Statement”).

The Certificates shall be substantially in the form described in, shall be executed and secured under the provisions of, and shall be payable as provided in the Trust Agreement, dated as of November 1, 2022 (the “Trust Agreement”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The execution and delivery of the Certificates shall be as described in, and shall be approved pursuant to, the provisions of a resolution of the Authority adopted on [October 14], 2022 (the “Resolution”).

The Certificates evidence proportionate undivided ownership interests of the registered holders thereof in certain installment payments (the “Installment Payments”) to be made by Palomar Health in connection with an Installment Sale Agreement dated as of November 1, 2022 (the “Sale Agreement”) between the Authority and Palomar Health. The Certificates will be executed and delivered pursuant to the Trust Agreement in order to provide all or a portion of the funds (i) to finance and/or reimburse Palomar Health for certain costs incurred or to be incurred in connection with the acquisition, construction, expansion, renovation, improvement and equipping of certain health care facilities, owned and operated (or to be owned and operated) by Palomar Health, (ii) to currently refund and prepay all of the outstanding certificates of
participation evidencing proportionate interests of the holders thereof in installment payments to be made by Palomar Health (f/k/a Palomar Pomerado Health) executed and delivered on December 7, 2006 in the original aggregate principal amount of $180,000,000, $_______ of which remain outstanding (the “Series 2006 Certificates”), (iii) to pay certain swap termination payments, and (iv) to pay certain costs associated with the execution and delivery of the Certificates.

Pursuant to a Purchase Agreement dated as of November 1, 2022 (the “Purchase Agreement”) between Palomar Health and the Authority, Palomar Health will sell to the Authority an interest in the Real Property (as defined in the Purchase Agreement). Simultaneously therewith, the Authority will sell the Real Property back to Palomar Health pursuant to the Sale Agreement in consideration for which Palomar Health will make Installment Payments to the Authority. The Authority has irrevocably assigned the Installment Payments to the Trustee in consideration for payment to the Authority of the proceeds derived from the sale of the Certificates. Such proceeds shall be paid to Palomar Health as consideration for the purchase of the Real Property pursuant to the Purchase Agreement.

Pursuant to a Master Trust Indenture, dated as of December 1, 2006, as amended and supplemented (the “Master Indenture”), among Palomar Health, Arch Health Partners, Inc. ("Arch" and, together with Palomar Health, the “Members of the Obligated Group” or the “Obligated Group”) and U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, as successor to U.S. Bank National Association, as master trustee (the “Master Trustee”), and a Supplemental Master Indenture for Master Indenture Obligation No. 12, dated as of November 1, 2022 (the “Supplemental Indenture”), between Palomar Health, as Credit Group Representative, and the Master Trustee, Palomar Health will issue its Master Indenture Obligation No. 12, dated [Closing Date], 2022 (“Obligation No. 12”), to evidence the obligation of the Members of the Obligated Group to make payments in amounts sufficient to pay, when due, the payments due from Palomar Health under the Sale Agreement.

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), Palomar Health, for itself and on behalf of the Obligated Group, will execute and deliver a Continuing Disclosure Undertaking, dated [Closing Date], 2022 (the “Continuing Disclosure Undertaking”), to provide for the delivery of annual and quarterly reports of the Obligated Group and notices of certain events relating to the Certificates. A form of the Continuing Disclosure Undertaking is attached to the Preliminary Official Statement and will also be attached to the Official Statement.

The Resolution, the Certificates, the Trust Agreement, the Sale Agreement, the Purchase Agreement and the Certificate Purchase Agreement, collectively, are referred to herein as the “Authority Documents.” The Preliminary Official Statement, the Official Statement, the Sale Agreement, the Purchase Agreement, the Master Indenture, the Supplemental Indenture, Obligation No. 12, the Certificate Purchase Agreement (to the extent of Palomar Health’s approval thereof), the Tax Certificate, to be dated as of the date of execution and delivery of the Certificates (the “Tax Certificate”), the Continuing Disclosure Undertaking and this Letter of Representation, collectively, are referred to herein as the “Obligated Group’s Documents.” The
Authority’s Documents and the Obligated Group’s Documents, collectively, are referred to as the “Principal Documents.”

In order to induce you to enter into the Certificate Purchase Agreement and to make the sale and purchase and offering of the Certificates therein contemplated, Palomar Health, for itself and on behalf of the Obligated Group, hereby represents, warrants and agrees with each of you as follows:

1. All consents and approvals of any trustee or holder of any indebtedness of any Member of the Obligated Group, and all consents, approvals, certifications, authorizations and other orders of any governmental authorities, boards, agencies, or commissions having jurisdiction, and all filings with any such entities, which would constitute a condition precedent to or are required for the execution and delivery of the Certificates pursuant to the Trust Agreement, for the execution and delivery of each of the applicable Obligated Group’s Documents, for the approval of the Principal Documents and of any transaction therein or herein contemplated, have been obtained.

2. Palomar Health is a political subdivision of the State of California and a local health care district. Palomar Health is not an organization exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Arch is a nonprofit public benefit corporation duly organized, existing and in good standing under the laws of the state of its incorporation, is exempt from federal income taxation under Section 501(a) of the Code, except for taxation of unrelated trade or business income under Section 512 of the Code, as an organization described in Section 501(c)(3) of the Code, is not a “private foundation” as defined in Section 509(a) of the Code (collectively, the “Tax-Exempt Status”), and is in compliance with the terms, conditions and limitations of such Code sections and the regulations promulgated thereunder to the extent necessary to maintain such status; Arch has received a determination letter from the Internal Revenue Service confirming its Tax-Exempt Status, and such determination letter has not been modified, amended, restricted or rescinded; and Arch has taken all actions and has not failed to take any action, which action or failure to act, individually or collectively, would jeopardize its Tax-Exempt Status.

3. The proceeds of the Certificates will not be used by an organization described in Section 501(c)(3) of the Code in an “unrelated trade or business” within the meaning of Section 513(a) of the Code or by any other person, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on any of the Certificates under Section 103 of said Code.

4. Each of the Members of the Obligated Group has the necessary power and authority to conduct the business now being conducted by it and to be reimbursed for its costs and expenses under all third party payor programs accounting for a significant portion of its gross revenues, including, without limitation, Medicare and Medicaid, as contemplated by or described in the Obligated Group’s Documents; and each Member of the Obligated Group has necessary power and authority to enter into Obligated Group’s Documents, as applicable, and to approve the Trust Agreement, the Certificate Purchase
Agreement, the Preliminary Official Statement and the Official Statement. Each Member of the Obligated Group is qualified to do business and is doing business in State of California and has all permits, licenses, accreditations and certifications necessary to conduct its business as it is presently conducted.

5. Palomar Health, as Credit Group Representative, has full legal right, power and authority to execute and deliver, on its own behalf or on behalf of the Members of the Obligated Group, the applicable Obligated Group’s Documents and to approve the form of the Principal Documents to which it is not a party and to carry out and consummate all transactions contemplated by any such document.

6. As of the date thereof and as of the date hereof (excluding any information permitted to be omitted pursuant to Rule 15c2-12 and expect as modified in the Official Statement), the Preliminary Official Statement (including the financial statements and other financial and statistical data contained in the Preliminary Official Statement) did not and does not contain any untrue statement of a material fact to the Members of the Obligated Group or omit to state a material fact with respect to the Members of the Obligated Group required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the provisions of this sentence do not pertain to any statement or information in the Preliminary Official Statement regarding DTC, the book entry system and the Authority, and Appendix F and any information permitted to be omitted pursuant to Rule 15c2-12.

7. As of the date hereof, the Official Statement, as amended or supplemented pursuant to the Certificate Purchase Agreement or this Letter of Representation, if applicable, does not and will not as of the Closing Date contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the provisions of this sentence do not pertain to any statement or information in the Official Statement regarding DTC, the book entry system and the Authority, and Appendix F and any information permitted to be omitted pursuant to Rule 15c2-12. The Obligated Group hereby deems the Preliminary Official Statement final as of its date, as described in Rule 15c2-12, except for the omission of information permitted to be excluded by Section (b)(1) of Rule 15c2-12, and represents and warrants that the Official Statement is deemed final as of its date.

8. The Obligated Group’s Documents have been or will be on or prior to the Closing Date duly and validly authorized, executed and delivered by Palomar Health, on its own behalf or as Credit Group Representative, as applicable, and, assuming due authorization, execution and delivery by the other parties thereto, do or will constitute legal, valid and binding agreements of each Member of the Obligated Group, jointly and severally, enforceable in accordance with their terms, except as the enforceability and the binding effect (but not the validity) thereof may be limited by (i) bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors’ rights generally, from time to time in effect and (ii) general principles of equity; and the Sale Agreement and
Obligation No. 12, when and to the extent assigned to the Trustee pursuant to the Trust Agreement, will constitute legal, valid and binding agreements of each Member of the Obligated Group, enforceable against each Member of the Obligated Group in accordance with the terms thereof, for the benefit of the holders of the Certificates, except as the enforceability and the binding effect (but not the validity) thereof may be limited by (i) bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors’ rights generally, from time to time in effect and (ii) general principles of equity.

9. Each authorized representative of the Members of the Obligated Group executing the Obligated Group’s Documents, as applicable, and approving the Trust Agreement, the Certificate Purchase Agreement, the Preliminary Official Statement and the Official Statement (including the distribution thereof by the Underwriter), is duly and properly in office and fully authorized to execute and approve the same.

10. Arch is an organization organized and operated exclusively for charitable purposes, not for pecuniary profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual all within the meaning of Subsection 3(a)(4) of the Securities Act of 1933, as amended, and of Subsection 12(g)(2)(D) of the Securities Exchange Act of 1934, as amended. Palomar Health is a political subdivision of the State within the meaning of Subsection 3(a)(2) of the Securities Act of 1933, as amended.

11. No Member of the Obligated Group is in any material way in breach of or default under (i) any applicable law or administrative regulation of the state or any jurisdiction in which it conducts business or the United States or any applicable judgment or decree or (ii) any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which any such Member is a party or is otherwise so subject. No event has occurred and is continuing which, with the passage of time, the giving of notice or both, would constitute an event of default under any of the instruments mentioned in the preceding sentence; and neither the execution and delivery of the Obligated Group’s Documents, nor the consummation of the transactions contemplated by the Principal Documents will materially conflict with or constitute a material breach of or a material default under (i) any applicable law, administrative regulation, judgment or decree, or (ii) the Articles of Incorporation of Arch or Bylaws of any Member of the Obligated Group, as applicable, or (iii) any loan agreement, indenture, bond, note, mortgage, deed of trust, lease, resolution, agreement or instrument to which any Member of the Obligated Group is a party or is otherwise subject; nor will any such execution, delivery, adoption, fulfillment or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any property or assets of any such Member (i) under the terms of any such law, administrative regulation, judgment or decree or (ii) any such loan agreement, indenture, bond, note, mortgage, deed of trust, lease, resolution, agreement or instrument.

12. Since June 30, 2022, no Member of the Obligated Group has incurred any material liabilities, direct or contingent, nor has there been any material adverse change
in the financial position, results of operation or condition, financial or otherwise, of any such Member which is not described in the Official Statement, other than in the ordinary course of business.

13. Each Member of the Obligated Group has complied in all material respects with all applicable requirements of the United States and the State of California (together with their respective agencies and instrumentalities) to operate its present facilities and businesses substantially as they are being operated and is fully qualified by all necessary permits, licenses, certifications, accreditations and qualifications material to the conduct of its businesses as they are presently being conducted.

14. [Reserved].

15. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the knowledge of the Obligated Group, threatened against any Member of the Obligated Group or affecting any Member of the Obligated Group’s assets, properties or operations, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Principal Documents or the consummation of the transactions contemplated by the Principal Documents or that would have a material adverse effect on the financial condition or operations of the Obligated Group (on a consolidated basis).

16. Between the date hereof and the date of the Closing, no Member of the Obligated Group, without providing prior written notice to the Underwriter, except as described in or contemplated by the Preliminary Official Statement or the Official Statement, will incur any material liabilities, direct or contingent, other than in the ordinary course of business.

17. If between the date hereof and up to and including the 25th day following the end of the underwriting period (as defined in Rule 15c2-12) any event shall occur of which Palomar Health has knowledge or which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, the Obligated Group shall promptly notify the Authority and the Underwriter and if, in the opinion of the Obligated Group, the Authority or the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, then, the Obligated Group will request the Authority to cause the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter and the Authority, at the expense of the Obligated Group as provided herein.

18. For 25 days from the date of the end of the underwriting period (as defined in Rule 15c2-12), the Obligated Group will (a) not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished
with a copy, the Authority or the Underwriter shall reasonably object in writing or which shall be disapproved by the respective counsel of the Authority or the Underwriter and (b) if any event relating to or affecting the Authority or the Members of the Obligated Group, or their present or proposed facilities shall occur as a result of which it is necessary, in the opinion of counsel for the Underwriter or the Authority, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, then, the Obligated Group shall forthwith prepare and furnish to the Underwriter and the Authority (at the expense of the Obligated Group) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter and counsel to the Authority) that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchasers, not misleading. For the purposes of this subsection, the Obligated Group will furnish such information with respect to themselves and their respective present and proposed facilities as any of you may from time to time reasonably request.

19. [Reserved].

20. To the extent permitted by law, the Members of the Obligated Group (collectively, the “Indemnifying Party”) agree to indemnify and hold harmless the Authority and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the Authority and the officers, agents, members and employees of the Authority (collectively, the “Authority Indemnified Party”) against any and all judgments, losses, claims, damages, liabilities and expenses (i) arising out of any statement or information in the Official Statement, except for information set forth under the headings “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION — The Authority,” that is or is alleged to be untrue or incorrect in any material respect or the omission or alleged omission therefrom of any statement or information that should be stated therein or that is alleged to make the statements therein, except for information set forth under the headings “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION — The Authority,” not misleading in any material respect, and (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Members of the Obligated Group. In case any claim shall be made or action brought against the Authority Indemnified Party based upon the Preliminary Official Statement or the Official Statement for which indemnity may be sought against the Indemnifying Party, as provided above, the Authority Indemnified Party shall promptly notify the Indemnifying Party in writing setting forth the particulars of such claim or action and the Indemnifying Party shall assume the defense thereof, including the retaining of counsel acceptable to the Authority Indemnified Party and the payment of all expenses. The Authority Indemnified Party shall have the right to retain separate counsel in any such action and to participate in the defense thereof but shall bear the fees and expenses of such counsel unless (i) the
Indemnifying Party shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include the Authority Indemnified Party, and the Indemnifying Party and the Authority Indemnified Party have been advised by such counsel that one or more legal defenses may be available to it or them which may not be available to the Indemnifying Party, in which case the Indemnifying Party shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel.

21. The Indemnifying Party agrees to indemnify and hold harmless the Underwriter, the directors, officers, employees and agents of each Underwriter and each person who controls any Underwriter (collectively, the “Underwriter Indemnified Party” and, together with the Authority Indemnified Party, the “Indemnified Parties” and each an “Indemnified Party”) within the meaning of either the Securities Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statement, the Official Statement (or in any supplement or amendment thereto), or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except for information set forth in either the Preliminary Official Statement or the Official Statement under the headings “UNDERWRITING”. This indemnity agreement will be in addition to any liability which the Indemnifying Party may otherwise have.

Promptly after receipt by an Underwriter Indemnified Party of notice of the commencement of any action, such Indemnified Party will, if a claim in respect thereof is to be made against the Underwriter Indemnified Party, notify the Indemnifying Party in writing of the commencement thereof; but the failure so to notify the Indemnifying Party (a) will not relieve it from liability unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the Indemnifying Party of substantial rights and defenses; and (b) will not, in any event, relieve the Indemnifying Party from any obligations to any Underwriter Indemnified Party other than the indemnification obligation. The Indemnifying Party shall be entitled to appoint counsel of the Indemnifying Party’s choice at the Indemnifying Party’s expense to represent the Underwriter Indemnified Party in any action for which indemnification is sought provided, however, that such counsel shall be satisfactory to the Underwriter Indemnified Party. Notwithstanding the Indemnifying Party’s election to appoint counsel to represent the Underwriter Indemnified Party in an action, the Underwriter Indemnified Party shall have the right to employ separate counsel (including local counsel), and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Underwriter Indemnified Party, unless (a) the employment of such counsel has been specifically authorized by the indemnifying party or (b) the defendants in any action for which indemnity is required hereunder include both the Underwriter Indemnified Party and the Indemnifying Party and (ii) the Underwriter Indemnified Party shall have
been advised in writing by its counsel that defenses are available to the Underwriter Indemnified Party which are not available to the Indemnifying Party and that it would be inappropriate for the same counsel to represent both the Underwriter Indemnified Party and the Indemnifying Party, in each such case, the fees and expenses of such separate counsel shall be at the expense of the Indemnifying Party. An Indemnifying Party will not, without the prior written consent of the Underwriter Indemnified Party, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the Underwriter Indemnified Parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each Underwriter Indemnified Party from all liability arising out of such claim, action, suit or proceeding.

22. In the event that the indemnity provided herein is unavailable or insufficient to hold harmless an Indemnified Party for any reason, the Members of the Obligated Group and the Underwriter agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending the same) to which the Members of the Obligated Group and the Underwriter may be subject in such proportion as is appropriate to reflect the relative benefits received by the Members of the Obligated Group on the one hand and by the Underwriter on the other from the offering. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Members of the Obligated Group and the Underwriter shall contribute in such proportion as is appropriate to reflect not only such relative benefits, but also the relative fault of the Members of the Obligated Group on the one hand and of the Underwriter on the other in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. In no case shall the Underwriter be responsible for any amount in excess of the purchase discount or fee applicable to the Certificates purchased by the Underwriter hereunder. Benefits received by the Members of the Obligated Group shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by it, and benefits received by the Underwriter shall be deemed to be equal to the total purchase discounts and commissions in each case set forth on the cover of the final Official Statement. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the Members of the Obligated Group on the one hand or the Underwriter on the other, the intent of the parties and their relative knowledge, information and opportunity to correct or prevent such untrue statement or omission. The Members of the Obligated Group and the Underwriter agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Each person who controls the Underwriter within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee and
agent of the Underwriter shall have the same rights to contribution as the Underwriter, and each person who controls the Members of the Obligated Group within the meaning of either the Securities Act or the Exchange Act and each official, director, officer and employee of the Members of the Obligated Group shall have the same rights to contribution as the Members of the Obligated Group, subject in each case to the applicable terms and conditions of this paragraph.

23. [Except as disclosed in the Official Statement, during the last five years, the Members of the Obligated Group have not failed in any material respect to comply with any previous undertaking relating to continuing disclosure of information pursuant to Rule 15c2-12.] [Confirm]

24. The representations, warranties, agreements and indemnities herein shall survive the Closing under the Certificate Purchase Agreement and any investigation made by or on behalf of any of you or any Person who controls any of you of any matters described in or related to the transactions contemplated hereby and by the Certificate Purchase Agreement, the Official Statement, the Sale Agreement, the Purchase Agreement, the Trust Agreement, the Master Indenture, the Supplemental Indenture, Obligation No. 12, the Tax Certificate and the Continuing Disclosure Undertaking.

25. The Members of the Obligated Group hereby agree to pay the expenses described in Section 5 of the Certificate Purchase Agreement, and to pay any expenses incurred in amending or supplementing the Official Statement pursuant to the Certificate Purchase Agreement or this Letter of Representation.

26. The Members of the Obligated Group acknowledge and agree that (i) the purchase and sale of the Certificates pursuant to the Certificate Purchase Agreement is an arm’s-length commercial transaction between the Authority and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary to the Members of the Obligated Group or the Authority, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Members of the Obligated Group or the Authority with respect to the Certificate Purchase Agreement (including this Letter of Representation), the offering of the Certificates and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Members of the Obligated Group or the Authority on other matters) and the Underwriter has no obligation to the Members of the Obligated Group or the Authority with respect to the offering contemplated hereby except the obligations expressly set forth in the Certificate Purchase Agreement (including this Letter of Representation), and (iv) the Members of the Obligated Group have consulted with their own legal, financial and other advisors to the extent they have deemed appropriate. Nothing in the foregoing paragraph is intended to limit the Underwriter’s obligations of good faith and fair dealing under California law and MSRB Rule G-17, as applicable.
This Letter of Representation shall be binding upon and inure solely to the benefit of the Authority, each of you and the Members of the Obligated Group and, to the extent set forth herein, persons controlling any of you, and their respective members, officers, employees, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representation. No recourse under or upon any obligation, covenant or agreement contained in this Letter of Representation shall be had against any officer or trustee of the Members of the Obligated Group as individuals, except as caused by their bad faith. This Letter of Representation shall be governed by the laws of the State of California.

This Letter of Representation may be executed in any number of counterparts and all such counterparts shall together constitute one and the same instrument.

Each provision of this Letter of Representation shall be construed to preserve its validity and enforceability to the extent possible. In the event any provision of this Letter of Representation is declared void, invalid, or unenforceable, the party who would have the provision enforced shall be entitled to elect whether (1) the provision should be modified to the extent necessary to make it valid and enforceable or (2) the provision shall be deemed not to be a part of this Letter of Representation.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]
If the foregoing is in accordance with your understanding of the agreement between us, kindly sign and return to the Underwriter a duplicate of this Letter of Representation whereupon it will constitute a binding agreement of the Authority and Palomar Health in accordance with the terms hereof.

Very truly yours,

PALOMAR HEALTH, for itself and on behalf of the Obligated Group

By: _________________________________
   Its _______________________________

Accepted and confirmed to on the date first above written:

CITIGROUP GLOBAL MARKETS INC.,
as Underwriter

By: _________________________________
   Authorized Representative

CALIFORNIA MUNICIPAL FINANCE AUTHORITY

By: _________________________________
   Authorized Signatory


**EXHIBIT B**

**CERTIFICATES OF PARTICIPATION**  
**EVIDENCING PROPORTIONATE UNDIVIDED INTERESTS**  
**IN INSTALLMENT PAYMENTS TO BE MADE BY**  
**PALOMAR HEALTH**

**PRINCIPAL AMOUNT: $AAA,000,000**

**CERTIFICATE PAYMENT SCHEDULE**

**Dated Date of Issuance**

<table>
<thead>
<tr>
<th>Certificate Payment Date (_________)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
</tr>
</thead>
</table>

$__________ ____% Term Certificate due __________, Priced _____ to Yield _____%

$__________ ____% Term Certificate due __________, Priced _____ to Yield _____%

*Yield to the first optional prepayment date of __________.***

**Optional Prepayment of Fixed Certificates.** During the Initial Fixed Period, the Certificates with Certificate Payment Dates on and after November 1, 20[ ], are subject to prepayment prior to their respective Certificate Payment Date on any date on or after November 1, 20[ ], at the option of Palomar Health, in whole or in part at any time, in such amounts and with such Certificate Payment Dates as may be designated by Palomar Health, at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

**Mandatory Sinking Account Prepayment.** The Certificates with a Certificate Payment Date of [November 1], 20__, shall be paid by application of Mandatory Sinking Account Payment in the following amounts and on the following dates at a Prepayment Price equal to the
principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium:

\[
\begin{array}{ll}
\text{MANDATORY SINKING ACCOUNT} & \\
\text{PAYMENT DATES} & \text{MANDATORY SINKING ACCOUNT PAYMENT} \\
([\text{NOVEMBER 1}]) & \\
\end{array}
\]

† Maturity.

The Certificates with a Certificate Payment Date of [November 1], 20__, shall be paid by application of Mandatory Sinking Account Payment in the following amounts and on the following dates at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium:

\[
\begin{array}{ll}
\text{MANDATORY SINKING ACCOUNT} & \\
\text{PAYMENT DATES} & \text{MANDATORY SINKING ACCOUNT PAYMENT} \\
([\text{NOVEMBER 1}]) & \\
\end{array}
\]

† Maturity.

**Extraordinary Optional Prepayment.** The Certificates are subject to prepayment prior to their Certificate Payment Date, at the option of Palomar Health in whole or in part on any Business Day in such amounts as are designated by Palomar Health, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members of the Obligated Group and deposited in the Special Prepayment Account, at a Prepayment Price equal to the principal amount thereof, plus accrued interest thereon (if any) to the date fixed for prepayment, without premium.
EXHIBIT C

FORM OF ISSUE PRICE CERTIFICATE OF THE UNDERWRITER

$AAA,000,000
CERTIFICATES OF PARTICIPATION
EVIDENCING PROPORTIONATE UNDIVIDED INTERESTS
IN INSTALLMENT PAYMENTS TO BE MADE BY
PALOMAR HEALTH

ISSUE PRICE CERTIFICATE

[CLOSING DATE], 2022

The undersigned, on behalf of Citigroup Global Markets Inc. (“Citigroup”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Certificates”).

1. Sale of the Certificates. As of the date of this certificate, for each Maturity of [the General Rule Maturities of] the Certificates, the first price at which at least 10% of such Maturity of the Certificates was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Certificates. Citigroup offered the Certificates to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B.

[All Maturities use Hold-the-Offering-Price Rule: As set forth in the Certificate Purchase Agreement, Citigroup has agreed in writing that, (i) for each Maturity of the Certificates, it would neither offer nor sell any of the unsold Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Purchaser (as defined below) has offered or sold unsold Certificates of any Maturity of the Certificates at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.]

[Select Maturities use Hold-the-Offering-Price Rule: As set forth in the Certificate Purchase Agreement, Citigroup has agreed in writing that, (i) for each Hold-the-Offering Price Maturity, it would neither offer nor sell any of the unsold Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group
agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Purchaser (as defined below) has offered or sold unsold Certificates of any Maturity of the Hold-the-Offering Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.]

3. Defined Terms.

[a. Hold-the-Offering-Price Maturities means those Maturities of the Certificates listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”]

[b. Holding Period means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([Pricing Date], 2022), or (ii) the date on which Citigroup has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

c. General Rule Maturities means those Maturities of the Certificates listed in Schedule A hereto as the “General Rule Maturities.”

d. Hold-the-Offering-Price Maturities means those Maturities of the Certificates listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

e. Holding Period means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([Pricing Date], 2022), or (ii) the date on which Citigroup has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

f. Issuer means California Municipal Finance Authority, a joint exercise of powers authority and public entity of the State of California.

g. Maturity means Certificates with the same credit and payment terms. Certificates representing principal of Installment Payments (as defined in the Trust Agreement) coming due on different Certificate Payment Dates (as defined in the Trust Agreement), or Certificates with the same Certificate Payment Date but different stated interest rates, are treated as separate maturities.

h. Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than a Purchaser or a related party to a Purchaser. The term “related party” for purposes of this certificate means any two or more persons who are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities
are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profits interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

i. **Sale Date** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is [Pricing Date], 2022.

j. **Purchaser** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Purchaser to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

k. **Trust Agreement** means that certain Trust Agreement, dated as of November 1, 2022, between the Issuer and U.S. Bank Trust Company, National Association, as trustee, pursuant to which the Certificates as executed and delivered.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Citigroup’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer, Palomar Health, a political subdivision of the State of California and a local health care district (“Palomar Health”), and Arch Health Partners, Inc. (“Arch”) with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038, and other federal income tax advice it may give to the Issuer, Palomar Health and Arch from time to time relating to the Certificates.

The certifications contained herein are not necessarily based on personal knowledge but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.
CITIGROUP GLOBAL MARKETS INC.,
as Underwriter

By: _________________________________

Authorized Representative

Dated [Closing Date], 2022
**Schedule A**

**Initial Offering Prices**

**General Rule Maturities**

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**Hold-the-Offering Price Maturities**

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<tbody>
<tr>
<td>(_______)</td>
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SCHEDULE B

PRICING WIRE

ATTACHED
EXHIBIT D

FORM OF PROCEDURES LETTER FROM AUDITOR
EXHIBIT E

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

ADD A-262
EXHIBIT G

FORM OF OPINION OF [CHIEF LEGAL OFFICER OF PALOMAR HEALTH]
NEW ISSUE—BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Palomar Health, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Tax-Exempt Installment Payment (as hereinafter defined) designated as and constituting interest paid by Palomar Health under the Tax-Exempt Sale Agreement (as hereinafter defined) and received by the Holders of the Tax-Exempt Certificates (as hereinafter defined) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, the portion of each Tax-Exempt Installment Payment designated as and constituting interest paid by Palomar Health under the Tax-Exempt Sale Agreement and received by the Holders of the Tax-Exempt Certificates included in adjusted financial statement income of certain corporations is not excluded from federal corporate alternative minimum tax. Bond Counsel observes that the portion of each Taxable Installment Payment (as hereinafter defined) designated as and constituting interest paid by Palomar Health under the Taxable Sale Agreement (as hereinafter defined) and received by the Holders of the Taxable Certificates (as hereinafter defined) is not excluded from gross income for federal income tax pursuant to Section 103 of the Code. Bond Counsel is also of the opinion that the portion of each Installment Payment (as hereinafter defined) designated as and constituting interest paid by Palomar Health under each Sale Agreement (as hereinafter defined) and received by the Holders of the Certificates (as hereinafter defined) is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Certificates, or the amount, accrual or receipt of the portion of each Installment Payment constituting interest. See “TAX MATTERS.”

SAAA,000,000*
Certificates of Participation
Evidencing Proportionate Undivided Ownership Interests of the Holders Thereof in Installment Payments to be Made by Palomar Health

Dated: Date of Delivery

The above-referenced (i) SAAA,000,000* certificates (the “Tax-Exempt Certificates”) evidence undivided ownership interests in the right to receive installment payments (the “Tax-Exempt Installment Payments”) to be paid by Palomar Health, a local health care district located in the County of San Diego, California (“Palomar Health” or the “District”), under an Installment Sale Agreement, dated as of November 1, 2022 (the “Tax-Exempt Sale Agreement”), between the California Municipal Finance Authority (the “Authority”) and Palomar Health; and (ii) SBB,000,000* certificates (the “Taxable Certificates”) evidencing undivided ownership interests in the right to receive installment payments (the “Taxable Installment Payments”) and, together with the Tax-Exempt Installment Payments, the “Installment Payments”) to be paid by Palomar Health under an Installment Sale Agreement, dated as of November 1, 2022 (the “Taxable Sale Agreement”) and, together with the Tax-Exempt Installment Payments, the “Installment Payments”) to be paid by Palomar Health under an Installment Sale Agreement, dated as of November 1, 2022 (the “Taxable Sale Agreement”) and, together with the Tax-Exempt Sale Agreement, the “Safe Agreements”), between the Authority and Palomar Health. The obligation of Palomar Health to make Installment Payments is limited to obligations of Palomar Health payable from Gross Revenues (as defined herein). The Authority has assigned its rights to receive the Tax-Exempt Installment Payments to U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), pursuant to a Trust Agreement, dated as of November 1, 2022 (the “Tax-Exempt Trust Agreement”), between the Authority and the Trustee. The obligation of Palomar Health to make Tax-Exempt Installment Payments is secured by Obligation No. 12 (as defined herein) issued pursuant to the provisions of the Master Trust Indenture, dated as of December 1, 2006, as amended and supplemented (the “Trust Agreements”), among Palomar Health and Arch Health Partners Inc. (collectively, the “Obligated Group”) and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as master trustee. The obligation of Palomar Health to make Taxable Installment Payments is secured by Obligation No. 13 (as defined herein) issued pursuant to the provisions of the Master Indenture.

The proceeds of the sale of the Certificates will be used, [with certain other funds]: (i) to finance and/or reimburse Palomar Health for certain costs incurred or to be incurred in connection with the acquisition, construction, expansion, renovation, improvement and equipping of certain health care facilities, owned and operated (or to be owned and operated) by Palomar Health, (ii) to contribute toward and prepay any outstanding Certificates of participation evidencing proportionate interests of the holders thereof in installment payments to be made by Palomar Health (f/k/a Palomar Pomerado Health) executed and delivered on December 7, 2006 in the original aggregate principal amount of $180,000,000, $ of which remain outstanding, (iii) to pay certain swap termination payments, and (iv) to pay certain costs associated with the execution and delivery of the Certificates. See “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

The Certificates will be delivered in fully registered form only and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Certificates, and individual purchases of the Certificates will be made in book-entry form only. Principal and interest due with respect to the Certificates will be payable by the Trustee to Cede & Co., as registered Holder of the Certificates. See APPENDIX F — “BOOK-ENTRY SYSTEM.” The Certificates will be delivered in denominations of $5,000 and integral multiples thereof. The interest components of the Certificates, representing the portion of Installment Payments designated as interest, will be due and payable on [May 1, 2023], and semiannually thereafter on each [May 1] and [November 1]. The principal components of the Certificates, representing the portion of Installment Payments designated as principal, will come due on [November 1], in the years and amounts set forth on the inside cover pages hereof.

SEE SCHEDULE OF CERTIFICATE PAYMENT DATES ON THE INSIDE FRONT COVER PAGES

The Certificates are subject to optional, mandatory and extraordinary optional prepayment and purchase in lieu of prepayment prior to their respective Certificate Payment Dates as described herein. [Confirm if taxable component will have term bonds.]

This Official Statement summarizes certain terms of the Certificates only while the Certificates represent interest accruing at a Fixed Rate in the Initial Fixed Period. Should the Tax-Exempt Certificates or a portion thereof be converted at the election of Palomar Health to operate in a different Interest Rate Mode or a new Fixed Period, the Tax-Exempt Certificates to be converted will be subject to mandatory tender for purchase on the Conversion Date and, at that time, it is expected that a reoffering circular or a supplement to this Official Statement or other disclosure document will be prepared for such Tax-Exempt Certificates. The Taxable Certificates will not be subject to conversion to a different Interest Rate Mode or a new Fixed Period.

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The obligation of Palomar Health to make Installment Payments is a limited obligation of Palomar Health. Palomar Health shall not be obligated to pay Installment Payments or the principal component or interest component with respect to the Certificates, or any other payment or deposit required pursuant to the Sale Agreements, except from Gross Revenues. Palomar Health shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of Palomar Health for all or any portion of the Installment Payments or for all or any portion of such other costs and expenses. Neither the faith and credit, or the taxing power, of Palomar Health, is pledged to the payment of the principal component or interest component with respect to the Certificates.

Palomar Health shall be solely responsible for the payment of the Installment Payments and the Certificates. The Authority shall not be obligated to pay the Installment Payments or the principal (or Prepayment Price) of or interest with respect to the Certificates except from moneys and assets received by the Trustee on behalf of the Authority pursuant to the Sale Agreements and under Obligation No. 12 or Obligation No. 13, as applicable. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or Prepayment Price) or interest with respect to the Certificates. Neither the Authority nor its members, officers, directors, agents or employees or their successors and assigns shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under, by reason of or in connection with the Sale Agreements, the Master Indenture, Obligation No. 12, Obligation No. 13, the Certificates or the Trust Agreements, except only to the extent amounts are received for the payment thereof from the District under the applicable Sale Agreement or under Obligation No. 12 or Obligation No. 13, as applicable.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Certificates. Investors are instructed to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Certificates are offered when, as and if received by the Underwriter, subject to prior sale and to the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Palomar Health. Certain other legal matters will be passed upon for the Obligated Group by the Chief Legal Officer to Palomar Health, for the Authority by its special counsel, Jones Hall P.C., and for the Underwriter by its counsel, Chapman and Cutler LLP. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, as disclosure counsel to Palomar Health. It is expected that the Certificates in definitive form will be available for delivery through the facilities of DTC on or about November __, 2022.

CITIGROUP

Date: ___________, 2022

* Preliminary, subject to change.
SCHEDULE OF CERTIFICATE PAYMENT DATES

$AAA,000,000*
Certificates of Participation
Evidencing Proportionate Undivided Ownership Interests of the Holders Thereof
in Installment Payments to be Made by
Palomar Health

$________ Serial Certificates

<table>
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<th>CERTIFICATE PAYMENT DATES ([NOVEMBER 1])</th>
<th>PRINCIPAL AMOUNT</th>
<th>INTEREST RATE</th>
<th>YIELD</th>
<th>PRICE</th>
<th>CUSIP†</th>
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</table>

$_______ ____% Term Certificates due [November 1], 20__; Priced ____ to Yield ____% CUSIP†: _____

$_______ ____% Term Certificates due [November 1], 20__; Priced ____ to Yield ____% CUSIP†: _____

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* Preliminary, subject to change.
† A registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, Palomar Health or the Underwriter and are provided for convenience of reference only. None of the Authority, Palomar Health or the Underwriter assumes any responsibility for the accuracy of such numbers, and no representation is made as to their correctness on the Certificates or as indicated above.
# Schedule of Certificate Payment Dates

$BB,000,000*

[Certificates of Participation
Evidencing Proportionate Undivided Ownership Interests of the Holders Thereof
in Installment Payments to be Made by
Palomar Health (Federally Taxable)]

[Confirm preliminary amortization schedule for taxable component]

$________ Serial Certificates

<table>
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<tr>
<th>Certificate Payment Dates ([November 1])</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
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REGARDING THE OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell the Certificates or the solicitation of an offer to buy the Certificates, nor shall there be any sale of the Certificates by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, broker, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon.

The information relating to the Authority set forth herein under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION — The Authority” has been furnished by the Authority, and the information relating to DTC and the book-entry system set forth herein under the caption “THE CERTIFICATES — General” and in APPENDIX F — “BOOK-ENTRY SYSTEM” has been furnished by DTC. Such information is believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or Palomar Health. All other information set forth herein has been obtained from Palomar Health and other sources (other than the Authority) that are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by and is not to be construed as a representation by the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale of Certificates made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Obligated Group or DTC since the date hereof. This Official Statement is submitted in connection with the delivery of the securities referred to herein and may not be used, in whole or in part, for any other purpose.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE AUTHORITY HAS NOT PARTICIPATED IN THE PREPARATION OF, OR REVIEWED OR APPROVED, AND DOES NOT REPRESENT OR WARRANT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO OTHER THAN THE STATEMENTS SET FORTH UNDER THE CAPTIONS “THE AUTHORITY” AND “ABSENCE OF MATERIAL LITIGATION — THE AUTHORITY.”

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES OFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

A wide variety of other information, including financial information, concerning the Obligated Group is available from publications and the website of the Obligated Group and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is part of or incorporated by reference into this Official Statement, except as expressly noted herein.

References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless otherwise specified herein, such websites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

CUSIP numbers are included in this Official Statement for the convenience of the holders and potential holders of the Certificates. No assurance can be given that the CUSIP numbers for the Certificates will remain the same after the date of the issuance and delivery of the Certificates.

Neither the Certificates nor any other security relating to the Certificates has been registered under the Securities Act of 1933, and the Trust Agreements (as defined herein) and the Master Indenture have not been qualified under the Trust Indenture Act of 1939, in each case in reliance upon exemptions contained in such acts. The Certificates are not exempt in every jurisdiction in the United States; some jurisdiction’s securities laws (the “blue sky laws”) may require a filing and a fee to secure the Certificates’ exemption from registration. The exemptions from registration and from qualification in accordance with applicable provisions of federal or state securities laws
cannot be regarded as a recommendation of the Certificates or any related security. Neither the Securities and Exchange Commission nor any state Securities Commission has approved or disapproved of the Certificates or any related security or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary may be a criminal offense.

**CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions “INTRODUCTION — The Project,” “PLAN OF FINANCE,” “CERTIFICATEHOLDERS’ RISKS” and “ABSENCE OF MATERIAL LITIGATION — Palomar Health” in the forepart of this Official Statement and the statements contained in APPENDIX A — “INFORMATION CONCERNING PALOMAR HEALTH AND THE OBLIGATED GROUP — SELECTED FINANCIAL INFORMATION — Management’s Discussion and Analysis of Financial Information.”

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Obligated Group does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances upon which such statements are based occur or fail to occur.
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OFFICIAL STATEMENT

$AAA,000,000*
Certificates of Participation
Evidencing Proportionate Undivided Ownership
Interests of the Holders Thereof
in Installment Payments to be Made by
Palomar Health

SBB,000,000*
[Certificates of Participation
Evidencing Proportionate Undivided Ownership
Interests of the Holders Thereof
in Installment Payments to be Made by
Palomar Health (Federally Taxable)]

INTRODUCTION

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein or in APPENDIX C-1, APPENDIX C-2 and APPENDIX C-3 have the same meaning as in the Master Indenture, the Tax-Exempt Trust Agreement or the Taxable Trust Agreement (each as defined below). See APPENDIX C-1 — “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — DEFINITIONS OF CERTAIN TERMS,” APPENDIX C-2 — “SUMMARY OF THE TAX-EXEMPT TRUST AGREEMENT, THE TAX-EXEMPT INSTALLMENT SALE AGREEMENT AND THE TAX-EXEMPT PURCHASE AGREEMENT” and APPENDIX C-3 — “SUMMARY OF THE TAXABLE TRUST AGREEMENT, THE TAXABLE INSTALLMENT SALE AGREEMENT AND THE TAXABLE PURCHASE AGREEMENT.” All references to this Official Statement include the cover page and the appendices.

PURPOSE OF THIS OFFICIAL STATEMENT

This Official Statement, including the cover page, the inside front cover page and the appendices hereto, is provided to furnish information in connection with the execution and delivery of the above-referenced (i) $AAA,000,000* certificates (the “Tax-Exempt Certificates”), evidencing proportionate undivided ownership interests of the registered holders thereof (the “Tax-Exempt Holders”) in certain installment payments (the “Tax-Exempt Installment Payments”) to be made by Palomar Health (“Palomar Health’’), a political subdivision of the State of California and a local health care district located in the County of San Diego, California, in connection with an Installment Sale Agreement, dated as of November 1, 2022 (the “Tax-Exempt Sale Agreement”), between the California Municipal Finance Authority (the “Authority”) and Palomar Health; and (ii) SBB,000,000* certificates (the “Taxable Certificates” and, together with the Tax-Exempt Certificates, the “Certificates”), evidencing proportionate undivided ownership interests of the registered holders thereof (the “Taxable Holders”) in certain installment payments (the “Taxable Installment Payments” and, together with the Tax-Exempt Installment Payments, the “Installment Payments”) to be made by Palomar Health in connection with an Installment Sale Agreement, dated as of November 1, 2022 (the “Taxable Sale Agreement” and, together with the Tax-Exempt Sale Agreement, the “Sale Agreements”), between the Authority and Palomar Health. The Tax-Exempt Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2022.* Preliminary, subject to change.
2022 (the “Tax-Exempt Trust Agreement”), between the Authority and U.S. Bank Trust Company, National Association, as Trustee (the “Trustee”). The Taxable Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2022 (the “Taxable Trust Agreement” and, together with the Tax-Exempt Trust Agreement, the “Trust Agreements”), between the Authority and the Trustee. The Tax-Exempt Holders and the Taxable Holders are each referred to herein as the “Holders”, as applicable.

Pursuant to a Purchase Agreement, dated as of November 1, 2022 (the “Tax-Exempt Purchase Agreement”), between Palomar Health and the Authority, Palomar Health will sell to the Authority an interest in the real estate described in the Tax-Exempt Purchase Agreement and the Tax-Exempt Sale Agreement (the “Real Property related to the Tax-Exempt Certificates”). Pursuant to a Purchase Agreement, dated as of November 1, 2022 (the “Taxable Purchase Agreement” and, together with the Tax-Exempt Purchase Agreement, the “Purchase Agreements”), between Palomar Health and the Authority, Palomar Health will sell to the Authority an interest in the real estate described in the Taxable Purchase Agreement and the Taxable Sale Agreement (the “Real Property related to the Taxable Certificates” and, together with the Tax-Exempt Real Property, the “Real Property”). Simultaneously therewith, the Authority will sell the Real Property back to Palomar Health pursuant to the related Sale Agreement in consideration for which Palomar Health will make related Installment Payments to the Authority. The Authority has irrevocably assigned the related Installment Payments to the Trustee in consideration for payment to the Authority of the proceeds derived from the sale of the related Certificates. Such proceeds shall be paid to Palomar Health as consideration for the purchase of the related Real Property pursuant to the related Purchase Agreement.

THE OBLIGATION OF PALOMAR HEALTH TO MAKE INSTALLMENT PAYMENTS IS A LIMITED OBLIGATION OF PALOMAR HEALTH PAYABLE SOLELY FROM GROSS REVENUES (AS DEFINED HEREIN). PALOMAR HEALTH SHALL NOT BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF PALOMAR HEALTH FOR ALL OR ANY PORTION OF THE INSTALLMENT PAYMENTS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING PALOMAR HEALTH, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL COMPONENT, PREPAYMENT PREMIUM, IF ANY, OR INTEREST COMPONENT WITH RESPECT TO THE CERTIFICATES.

THE DISTRICT SHALL BE SOLELY RESPONSIBLE FOR THE PAYMENT OF THE INSTALLMENT PAYMENTS AND THE CERTIFICATES. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE INSTALLMENT PAYMENTS OR THE PRINCIPAL (OR PREPAYMENT PRICE (INCLUDING, WITH RESPECT TO THE TAXABLE CERTIFICATES, THE MAKE-WHOLE PREPAYMENT PRICE)) OF OR INTEREST WITH RESPECT TO THE CERTIFICATES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING PALOMAR HEALTH, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL (OR PREPAYMENT PRICE (INCLUDING, WITH RESPECT TO THE TAXABLE CERTIFICATES, THE MAKE-WHOLE PREPAYMENT PRICE)) OR INTEREST WITH RESPECT TO THE CERTIFICATES.

NEITHER THE AUTHORITY NOR ITS MEMBERS, OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES OR THEIR SUCCESSORS AND ASSIGNS SHALL BE LIABLE FOR ANY COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, OF ANY CONCEIVABLE KIND ON ANY CONCEIVABLE THEORY, UNDER, BY REASON OF OR IN CONNECTION WITH THE SALE AGREEMENTS, THE MASTER INDENTURE, OBLIGATION NO. 12, OBLIGATION NO. 13, THE CERTIFICATES OR THE TRUST AGREEMENTS, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE DISTRICT UNDER THE SALE AGREEMENTS OR UNDER OBLIGATION NO. 12 OR OBLIGATION NO. 13.
Palomar Health is a political subdivision of the State of California and a local health care district, formed by a vote of Palomar Health’s electorate in 1948, and organized pursuant to Division 23 of the Health and Safety Code of the State of California (the “Local Health Care District Law”). Palomar Health’s boundaries encompass an area of approximately 800 square miles in the northern portion of the County of San Diego. Included within those boundaries are all or a portion of the cities and communities of Escondido, Poway, Carmel Mountain, Julian, Pala, Palomar Mountain, Pauma Valley, Ramona, Rancho Bernardo, Rancho Peñasquitos, San Marcos, Santa Ysabel, Valley Center and Vista.

[Update / conform to Appendix A once finalized.] Palomar Health owns and operates two acute care hospital facilities, Palomar Medical Center Escondido, which is a [__]-licensed-bed acute care hospital located in Escondido that opened in August 2012, and Palomar Medical Center Poway, which is a [__]-licensed-bed acute care hospital located in Poway that opened in 1977. Palomar Health also owns and operates: a [__]-bed skilled nursing facility, Villas at Poway, located on the Palomar Medical Center Poway campus; a [__]-bed sub-acute unit also operating out of Villas at Poway; Palomar Health Rehabilitation Services, which provides acute rehabilitation, with [__] beds; Palomar Health Wound Care Center, Corporate Health services and a cardiac rehabilitation program, all located in San Marcos, California; and a comprehensive home health program based in Escondido, California. Additionally, Palomar Health operates the San Marcos Outpatient Behavioral Medicine Center and two Expresscare Clinics providing urgent care in Escondido and San Elijo Hills, California.

Palomar Health and Arch Health Partners, Inc., doing business as Palomar Health Medical Group (“Palomar Medical Group”), are the only members of the obligated group (the “Obligated Group”) created under that certain Master Trust Indenture, dated as of December 1, 2006 (as supplemented and amended from time to time, the “Master Indenture”), between Palomar Health and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as master trustee (in such capacity, the “Master Trustee”). See APPENDIX A — “INFORMATION CONCERNING PALOMAR HEALTH AND THE OBLIGATED GROUP” for additional information about Palomar Health and Palomar Medical Group. Palomar Health, Palomar Medical Group and each other entity that becomes a member of the Obligated Group is herein referred to as an “Obligated Group Member” or “Member of the Obligated Group.” Each Member of the Obligated Group is jointly and severally obligated to pay when due the principal of, premium if any, and interest on each Master Indenture Obligation, also referred to herein as a “Master Indenture Obligation” or, collectively, as “Master Indenture Obligations,” issued under the Master Indenture, including Obligation No. 12 and Obligation No. 13 (each as hereinafter defined), which will secure Palomar Health’s obligations to make payments pursuant to the Sale Agreements. Other entities may become Members of the Obligated Group and Obligated Group Members may withdraw from the Obligated Group in accordance with the procedures set forth in the Master Indenture. See “SECURITY FOR THE CERTIFICATES — Master Indenture” herein.

The Master Indenture creates a “Credit Group” which consists of (1) the Obligated Group Members, and (2) the Designated Affiliates. Entities may be designated “Designated Affiliates” by Palomar Health, as the Credit Group Representative, and such designation may be rescinded at any time. As of the date of this Official Statement, no Designated Affiliates have been designated by Palomar Health under the Master Indenture. The accounts of the Members of the Obligated Group and any Designated Affiliates will be combined in determining whether the Credit Group has complied with certain financial covenants required by the Master Indenture, notwithstanding that Designated Affiliates are not liable for any payment on any Obligation. Palomar Health is the Credit Group Representative under the Master
Indenture and, under the Master Indenture, has full power to authorize the issuance of Master Indenture Obligations.

The financial information contained in APPENDIX A and APPENDIX B hereto includes, in accordance with generally accepted accounting principles, the assets, liabilities and results of operations of each Member of the Obligated Group as well as the assets, liabilities and results of operations of Palomar Health Development, Inc. (“Health Development”). Health Development is not an Obligated Group Member. **ONLY THE MEMBERS OF THE OBLIGATED GROUP ARE OBLIGATED TO MAKE PAYMENTS WITH RESPECT TO OBLIGATION NO. 12 AND OBLIGATION NO. 13. NONE OF THE REVENUES OR ASSETS OF HEALTH DEVELOPMENT ARE PLEDGED TO THE PAYMENT OF THE CERTIFICATES, OBLIGATION NO. 12 OR OBLIGATION NO. 13, AND HEALTH DEVELOPMENT HAS NO OBLIGATION TO PROVIDE FUNDS OR SECURITY FOR PAYMENTS WITH RESPECT TO THE CERTIFICATES.** For the fiscal year ended June 30, 2022, Health Development, in the aggregate, generated ____% of the operating revenue of the consolidated Palomar Health entities and ____% of the income from operations and represented _____% of the total net position of the consolidated Palomar Health entities.

SECURITY FOR THE CERTIFICATES

In order to secure the obligation of Palomar Health to make Tax-Exempt Installment Payments and other payments under the Tax-Exempt Sale Agreement, Palomar Health, on behalf of itself and the Obligated Group, will execute and deliver to the Trustee a Master Indenture Obligation (“Obligation No. 12”) issued pursuant to the Master Indenture, as supplemented and amended by Supplemental Master Indenture for Master Indenture Obligation No. 12, dated as of November 1, 2022 (“Supplement No. 12”), between Palomar Health, as Credit Group Representative, and the Master Trustee. In order to secure the obligation of Palomar Health to make Taxable Installment Payments and other payments under the make Taxable Sale Agreement, Palomar Health, on behalf of itself and the Obligated Group, will execute and deliver to the Trustee a Master Indenture Obligation (“Obligation No. 13”) issued pursuant to the Master Indenture, as supplemented and amended by Supplemental Master Indenture for Master Indenture Obligation No. 13, dated as of November 1, 2022 (“Supplement No. 13”), between Palomar Health, as Credit Group Representative, and the Master Trustee. Pursuant to the Master Indenture, all Members of the Obligated Group jointly and severally agree to make payments on Obligation No. 12 and Obligation No. 13 in amounts sufficient to pay, when due, the payments due from Palomar Health under the related Sale Agreement. Obligation No. 12 and Obligation No. 13 entitle the Trustee, as the holder of each of Obligation No. 12 and Obligation No. 13, to the protection of the covenants, restrictions and other obligations imposed under the Master Indenture. For a discussion of the enforceability of the Master Indenture, see “SECURITY FOR THE CERTIFICATES — Security and Enforceability” and “— Limitations on Enforceability.”

The obligation of the Members of the Obligated Group to pay amounts due on Obligations, including Obligation No. 12 and Obligation No. 13, will be secured by a pledge and grant of a security interest to the Master Trustee, by each Obligated Group Member, of all right, title and interest to, and under the Gross Revenues and the Gross Revenue Fund and the proceed thereof. Such security interest is subject to the ability to place Permitted Liens (as defined in the Master Indenture) on assets and to transfer assets, in each case subject to the limitations set forth in the Master Indenture. For additional information regarding the security interest in Gross Revenues and the Gross Revenue Fund granted by the Obligated Group under the Master Indenture, see “SECURITY FOR THE CERTIFICATES — The Master Indenture — Pledge of Gross Revenues” herein and “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — MASTER INDENTURE — Particular Covenants of the Members — Gross Revenue Fund” in APPENDIX C-1.
The proceeds of the sale of the Certificates will be used, [with certain other funds]: (i) to finance and/or reimburse Palomar Health for certain costs incurred or to be incurred in connection with the acquisition, construction, expansion, renovation, improvement and equipping of certain health care facilities, owned and operated (or to be owned and operated) by Palomar Health (the “Project”), (ii) to currently refund and prepay all of the outstanding certificates of participation executed and delivered on December 7, 2006, evidencing proportionate interests of the holders thereof in installment payments to be made by Palomar Health (f/k/a Palomar Pomerado Health) in the original aggregate principal amount of $180,000,000, pursuant to an installment sales agreement, dated as of December 1, 2006, between the North San Diego County Health Facilities Financing Authority and Palomar Health, consisting of the $60,000,000 original aggregate principal amount Series 2006A Certificates, $_______ of which remain outstanding (the “Series 2006A Certificates”), $60,000,000 original aggregate principal amount Series 2006B Certificates, $_______ of which remain outstanding (the “Series 2006B Certificates”) and $60,000,000 original aggregate principal amount Series 2006C Certificates, $_______ of which remain outstanding (the “Series 2006C Certificates” and, together with the Series 2006A Certificates and the Series 2006B Certificates, the “Series 2006 Certificates”), (iii) to pay certain swap termination payments (the “Swap Termination Payment”), related to the termination of certain interest rate swap agreements that were executed by and between Palomar Health and Citibank, N.A. in connection with the execution and delivery of the Series 2006 Certificates (the “2006 Swaps”), and (iv) to pay certain costs associated with the execution and delivery of the Certificates. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

CONTINUING DISCLOSURE

In order to provide certain continuing disclosure with respect to the Certificates in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (“Rule 15c2-12”), Palomar Health, on behalf of itself and the Obligated Group, will execute separate Continuing Disclosure Undertakings, each dated November __, 2022 (each, a “Continuing Disclosure Undertaking” and, together, the “Continuing Disclosure Undertakings”), for the benefit of the related Holders and related Beneficial Owners, in which it will covenant to provide disclosure of certain annual and quarterly financial and operational information and notices of certain events. See “CONTINUING DISCLOSURE” herein and APPENDIX D — “FORM OF CONTINUING DISCLOSURE UNDERTAKINGS.”

POSSIBLE BOND INSURANCE

The Members of the Obligated Group have requested a commitment (the “Commitment”) from Assured Guaranty Municipal Corp. (“AGM”) to issue a municipal bond insurance policy (the “Policy”) that would guarantee the scheduled payments of the principal of and interest on all or a portion of the insured Certificates when due. The requested Commitment may or may not be received, and if received, may not be in an amount that covers all of the Certificates. Such commitment will include terms that must be satisfied prior to issuance of the Policy. The Obligated Group has not made a final determination to purchase the Policy and may choose not to purchase the Policy. If received, the Obligated Group’s decision whether to purchase the Policy will be made at or about the time of pricing the Certificates and will be based upon, among other things, market conditions at that time. For more information see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Possible Bond Insurance” herein.
CERTIFICATEHOLDERS’ RISKS

There are a number of risks associated with the purchase of the Certificates. See “CERTIFICATEHOLDERS’ RISKS” herein for a discussion of certain of these risks.

AVAILABILITY OF DOCUMENTS

The descriptions and summaries of various documents set forth in this Official Statement do not purport to be conclusive or definitive and reference is made to each such document for the complete details of all terms and conditions hereof. Further descriptions of the Master Indenture, Supplement No. 12 and Supplement No. 13 are set forth in APPENDIX C-1, of the Tax-Exempt Trust Agreement, the Tax-Exempt Sale Agreement and the Tax-Exempt Purchase Agreement are set forth in APPENDIX C-2 hereto, and of the Taxable Trust Agreement, the Taxable Sale Agreement and the Taxable Purchase Agreement are set forth in APPENDIX C-3 hereto. A form of the Continuing Disclosure Undertakings is attached hereto as APPENDIX D. All references herein to the Purchase Agreements, the Sale Agreements, the Certificates, Obligation No. 12, Obligation No. 13, Supplement No. 12, Supplement No. 13, the Master Indenture, the Continuing Disclosure Undertakings and the Trust Agreements are qualified in their entirety by such documents, copies of which are available from the Underwriter (as defined herein) prior to the delivery of the Certificates and thereafter may be examined or obtained at the expense of the person requesting the same at the designated corporate trust office of the Trustee in Los Angeles, California.

THE AUTHORITY

Under Title 1, Division 7, Chapter 5 of the California Government Code (the “JPA Act”), certain California cities, counties, and special districts have entered into a joint exercise of powers agreement (the “JPA Agreement”) forming the Authority for the purpose of exercising powers common to the members and exercising the additional powers granted to the Authority by the JPA Act and any other applicable provisions of California law. Under the JPA Agreement, the Authority may issue bonds, notes, or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act, or any other applicable law.

The Authority may sell and deliver obligations other than the Certificates. These obligations will be secured by instruments separate and apart from the Purchase Agreements and the Sale Agreements, and the owners of such other obligations of the Authority will have no claim on the security for the Certificates. Likewise, the Holders of the Certificates will have no claim on the security for such other obligations that may be issued by the Authority.

Neither the Authority nor its independent contractors has furnished, reviewed, investigated, or verified the information contained in this Official Statement other than the information contained in this section entitled “THE AUTHORITY” and the section entitled “ABSENCE OF LITIGATION — The Authority.” The Authority does not and will not in the future monitor the financial condition of Palomar Health or otherwise monitor payment of the Certificates or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Certificates or Palomar Health has been undertaken solely by Palomar Health. See “CONTINUING DISCLOSURE” herein.

THE CERTIFICATES

The following is a summary of certain provisions of the Certificates. Reference is made to the Certificates for the complete text thereof and to the Trust Agreements, the Sale Agreements and the
Purchase Agreements for all of the provisions relating to the Certificates. The discussion herein is qualified by such reference. See APPENDIX C-2 — “SUMMARY OF THE TAX-EXEMPT TRUST AGREEMENT, THE TAX-EXEMPT INSTALLMENT SALE AGREEMENT AND THE TAX-EXEMPT PURCHASE AGREEMENT” hereto and APPENDIX C-3 — “SUMMARY OF THE TAXABLE TRUST AGREEMENT, THE TAXABLE INSTALLMENT SALE AGREEMENT AND THE TAXABLE PURCHASE AGREEMENT”.

This Official Statement provides information concerning the Tax-Exempt Certificates while bearing interest at Fixed Rates for the Initial Fixed Period. There are significant differences in the terms of the Tax-Exempt Certificates if they bear interest at the Daily Rate, Two Day Rate, Weekly Rate, Short-Term Rate, Long-Term Rate, Flexible Rate, FRN Rate, VRO Rate, Window Rate, Direct Purchase Rate or a new Fixed Rate. This Official Statement is not intended to provide information with respect to the Tax-Exempt Certificates other than while bearing interest at Fixed Rates for the Initial Fixed Period. The Initial Fixed Period with respect to the Tax-Exempt Certificates will commence on the date of execution and delivery of the Tax-Exempt Certificates and will end on the earlier of the Certificate Payment Date or the date, if any, on which a Tax-Exempt Certificate is converted, at the election of Palomar Health, to operate in a different Interest Rate Mode or a new Fixed Period. On a Conversion Date, the Tax-Exempt Certificates subject to Conversion will be subject to mandatory tender for purchase and, at that time, it is expected that a reoffering circular or a supplement to this Official Statement or other disclosure document will be prepared for the Tax-Exempt Certificates subject to such Conversion. Owners and prospective purchasers of the Tax-Exempt Certificates should not rely on this Official Statement with respect to information concerning any Tax-Exempt Certificates on or after Conversion to another Interest Rate Mode or to a new Fixed Period, but should look solely to supplements, revisions or substitutions to this Official Statement for information concerning the converted Tax-Exempt Certificates on or after a Conversion to another Interest Rate Mode or to a new Fixed Period.

This Official Statement provides information concerning the Taxable Certificates while bearing interest at Fixed Rates for the Initial Fixed Period. The Taxable Certificates are not subject to conversion to a different Interest Rate Mode or to a new Fixed Period.

GENERAL

The principal components of the Certificates representing the portion of Installment Payments designated as principal payable on the Certificate Payment Dates, and the interest components of the Certificates representing the portion of Installment Payments designated as interest will accrue at the rates, all as set forth on the inside cover pages of this Official Statement. The interest component with respect to the Certificates shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The Certificates are subject to prepayment, as described under “—Prepayment” below. The interest component with respect to the Certificates will be payable on [May 1, 2023], and semiannually thereafter on [May 1] and [November 1] of each year (each, an “Interest Payment Date”).

The Certificates will be executed in fully registered form in denominations of $5,000 or any integral multiple thereof. The Certificates will be delivered only in book-entry form and, when delivered, will be registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC, as nominee of DTC. DTC will act as securities depository for the Certificates. See APPENDIX F — “BOOK-ENTRY ONLY SYSTEM.” Except as described in APPENDIX F, Beneficial Owners (as defined in APPENDIX F) of the Certificates will not receive or have the right to receive physical delivery of certificates representing their ownership interests in the Certificates. For so long as any purchaser is the Beneficial Owner of a Certificate, such purchaser must maintain an account with a broker or dealer who is
or acts through a Direct Participant (as defined in APPENDIX F) to receive payment of the principal and interest with respect to such Certificate and all notices, including any notice of prepayment, shall be mailed only to Cede & Co. (see APPENDIX F).

The interest component payable on any Interest Payment Date will be payable to the registered Holder of the Certificates as of the fifteenth day of the month immediately preceding that Interest Payment Date, whether or not such day is a Business Day (the “Record Date”). So long as the Certificates are held in the book-entry system, the principal and interest with respect to the Certificates will be paid to Cede & Co., as the registered Holder, through the facilities of DTC (or a successor Securities Depository). Otherwise, the principal and purchase price with respect to the Certificates is payable upon presentation and surrender thereof at the designated corporate trust office of the Trustee, and interest with respect to the Certificates is payable by check mailed on each Interest Payment Date to the Holders of the Certificates at the close of business on the Record Date in respect of such Interest Payment Date at the addresses of Holders as shall appear on the registration books of the Trustee. In the case of any Holder of Certificates in an aggregate principal amount in excess of $1,000,000 as shown on the registration books of the Trustee who, prior to the Record Date next preceding any Interest Payment Date, shall have provided the Trustee with written wire transfer instructions containing the wire transfer address within the continental United States, interest payable on such Certificates shall be paid in accordance with the wire transfer instructions provided by the Holder of such Certificate.

If available funds are insufficient on any Interest Payment Date to pay the interest then due on the Certificates, interest shall continue to accrue thereon but shall cease to be payable to the Holder on such Record Date. If sufficient funds for the payment of such overdue interest thereafter become available, the Trustee shall (i) establish a “special interest payment date” for the payment of the overdue interest and a Special Record Date (which shall be a Business Day) for determining the Certificateholders entitled to such payment and (ii) mail notices by first class mail of such dates as soon as practicable. Notice of each such date so established shall be mailed to each Certificateholder at least ten days prior to the Special Record Date but not more than 30 days prior to the special interest payment date. The overdue interest shall be paid on the special interest payment date to the Holders, as shown on the registration books of the Trustee as of the close of business on the Special Record Date.

Except as provided in the Trust Agreements, the Trustee will not be required to (a) transfer or exchange any Certificate (other than a Tax-Exempt Certificate tendered for purchase under the provisions of the Tax-Exempt Trust Agreement related to the mandatory tender of Tax-Exempt Certificates) during a period beginning 15 days before the day of the mailing of a notice of prepayment of such Certificate and ending at the close of business on the day of such mailing, or (b) transfer or exchange any Certificate so selected for prepayment in whole or in part, during a period beginning at the opening of business on any Record Date for such Certificates and ending at the close of business on the relevant Interest Payment Date therefor. The Trustee shall require the Certificateholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange and, the Trustee may also require the Certificateholder requesting such exchange to pay a reasonable sum to cover expenses incurred by the Trustee or the Authority in connection with such exchange.

The Certificates may not be optionally tendered during the Initial Fixed Period.
Optional Prepayment for the Tax-Exempt Certificates.* During the Initial Fixed Period, the Certificates with Certificate Payment Dates on and after [November 1], 20____ are subject to prepayment prior to their respective Certificate Payment Date on any date on or after [November 1], 20____, at the option of Palomar Health, in whole or in part at any time, in such amounts and with such Certificate Payment Dates as may be designated by Palomar Health, at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium.

Optional Prepayment for the Taxable Certificates.* [Citi to confirm make-whole language.] The Taxable Certificates shall be subject to prepayment prior to their respective Certificate Payment Date, as a whole or from time to time in part on any Business Day, (i) before [May 1], ____, at the Make-Whole Prepayment Price, together with the interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid or duly provided for upon the date fixed for prepayment, and (ii) on or after [May 1], ____, at a prepayment price equal to the principal amount of Taxable Certificates called for prepayment, together with the interest, if any, accrued thereon from the most recent Interest Payment Date to which interest has been paid or duly provided for upon the date fixed for prepayment. In the event of a prepayment pursuant to the Taxable Trust Agreement, as and to the extent applicable, Palomar Health shall provide the Trustee with a revised sinking fund installment schedule giving effect to the prepayment so completed.

As used herein, the following definitions apply:

“Business Day” means any day, other than a Saturday or Sunday, and other than a day on which the Trustee or a Calculation Agent (other than the Trustee), as applicable, is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.

“Calculation Agent” means an independent accounting firm, investment banking firm or financial advisor retained by Palomar Health at Palomar Health’s expense.

“Make-Whole Period” means the number of years, including any fractional portion thereof, calculated on the basis of a 360-day year consisting of twelve 30-day months, between the prepayment date and the applicable Certificate Payment Date of each Taxable Certificate to be prepaid.

“Make-Whole Prepayment Price” means an amount equal to the greater of (a) the principal amount of the Taxable Certificates to be prepaid or (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Taxable Certificates to be prepaid, not including any portion of those payments of interest accrued and unpaid as of the date such Taxable Certificates are to be prepaid, discounted to the date of prepayment of such Taxable Certificates to be prepaid on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ___ basis points.

“Treasury Rate” means, as of any prepayment date for any Taxable Certificate, the time-weighted interpolated average yield for a term equal to the Make-Whole Period based on the yields of the two U.S. Treasury nominal securities at “constant maturity” (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that is publicly available not less

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* Preliminary, subject to change.
than two (2) Business Days nor more than 30 calendar days prior to the prepayment date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data reasonably selected by the Calculation Agent)) maturing immediately preceding and succeeding the Make-Whole Period, or if the period from the prepayment date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year. The Treasury Rate shall be determined by the Calculation Agent.

Extraordinary Optional Prepayment. [Confirm if Taxable Certificates can be called for extraordinary optional prepayment at par.] The Certificates are subject to prepayment prior to their Certificate Payment Date, at the option of Palomar Health in whole or in part on any Business Day in such amounts as are designated by Palomar Health, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members of the Obligated Group and deposited in the Special Prepayment Account, at a Prepayment Price equal to the principal amount thereof, plus accrued interest thereon (if any) to the date fixed for prepayment, without premium.

Mandatory Prepayment. [Confirm if there will be term Taxable Certificates.] The Tax-Exempt Certificates with a Certificate Payment Date of [November 1], 20__, shall be paid by application of Mandatory Sinking Account Payment in the following amounts and on the following dates at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium:

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<th>MANDATORY SINKING ACCOUNT PAYMENT DATES (November 1)</th>
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† Maturity.

The Tax-Exempt Certificates with a Certificate Payment Date of [November 1], 20__, shall be paid by application of Mandatory Sinking Account Payment in the following amounts and on the following dates at a Prepayment Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date fixed for prepayment, without premium:
Tax-Exempt Certificates with a Certificate Payment Date of
[November 1], 20__

MANDATORY SINKING ACCOUNT
PAYMENT DATES
([NOVEMBER 1])

MANDATORY SINKING
ACCOUNT PAYMENT

† Maturity.

Notice of Prepayment; Conditional Notice and Rescission of Notice of Prepayment. The Trustee is required to mail notice of prepayment by first-class mail not less than 20 days and not more than 60 days prior to the prepayment date, to the respective Holders of any Certificates designated for prepayment at their addresses appearing on the certificate registration books of the Trustee. Each notice of prepayment shall state the date of such notice, the date of execution and delivery of the Certificates, the prepayment date, the Prepayment Price (including, with respect to the Taxable Certificates, the Make-Whole Prepayment Price), the place or places of prepayment (including the name and appropriate address or addresses of the Trustee), the CUSIP numbers, if any, and, in the case of Certificates to be prepaid in part only, the respective portions of the principal component thereof to be prepaid. Each such notice shall also state that on said date there will become due and payable on each of said Certificates the Prepayment Price (including, with respect to the Taxable Certificates, the Make-Whole Prepayment Price) thereof or of said specified portion of the principal component thereof in the case of a Certificate to be prepaid in part only, together with interest accrued thereon to the prepayment date, and that from and after such prepayment date interest thereon shall cease to accrue, and shall require that such Certificates be then surrendered.

None of the Authority, the Trustee or Palomar Health shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Certificate or in any prepayment notice. The Trustee may, in its discretion, include in any prepayment notice a statement to the effect that the CUSIP numbers on the Certificates have been assigned by an independent service and are included in such notice solely for the convenience of the Holders and that neither the Authority, the Trustee nor Palomar Health shall be liable for any inaccuracies in such numbers.

Failure by the Trustee to mail notice of prepayment as prescribed pursuant to the Trust Agreements to any one or more of the respective Holders of any Certificates designated for prepayment shall not affect the sufficiency of the proceedings for prepayment with respect to the Holders to whom such notice was mailed. Failure by the Trustee to give notice as prescribed pursuant to the Trust Agreements to any one or more of the securities depositories or securities information services designated by Palomar Health, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for prepayment.

Palomar Health may also instruct the Trustee to provide conditional notice of optional prepayment, which may be conditioned upon the receipt of moneys or any other event.

Any notice of prepayment (other than notice of Mandatory Sinking Account prepayment) given pursuant to the Trust Agreements may be rescinded by written notice given to the Trustee by Palomar...
Health no later than five Business Days prior to the date specified for prepayment. The Trustee shall give
notice of such rescission as soon thereafter as practicable in the same manner and to the same Persons as
notice of such prepayment was given pursuant to the Trust Agreements.

Selection of Tax-Exempt Certificates for Prepayment. Whenever provision is made in the Tax-
Exempt Trust Agreement for the prepayment of less than all of the Tax-Exempt Certificates of any maturity
or any given portion thereof, the Trustee shall select the Tax-Exempt Certificates to be prepaid, from all
Tax-Exempt Certificates of such maturity subject to prepayment or such given portion thereof not
previously called for prepayment, as directed in writing by Palomar Health or in the absence of direction
by lot.

Selection of Taxable Certificates for Prepayment. Whenever provision is made
in the Taxable Trust Agreement for the prepayment of less than all of the Taxable Certificates of any
maturity or any given portion thereof, the Trustee will select the Taxable Certificates to be prepaid from all
Taxable Certificates of such maturity subject to prepayment or such given portion thereof not previously
called for prepayment, on a pro rata pass-through distribution of principal basis.

If the Taxable Certificates are registered in book-entry only form and so long as Cede & Co. or its
registered assigns or a successor Securities Depository is the sole registered owner of such Taxable
Certificates, if less than all of the Taxable Certificates of any maturity are called for prior prepayment, the
particular Taxable Certificates of such maturity or portions thereof to be prepaid shall be allocated on a pro
rata pass-through distribution of principal basis in accordance with Cede & Co. or its registered assigns or
a successor Securities Depository procedures, provided that, so long as the Taxable Certificates are held in
book-entry form, the selection for prepayment of such Taxable Certificates shall be made in accordance
with the operational arrangements of Cede & Co. or its registered assigns or a successor Securities
Depository then in effect, and, if Cede & Co. or its registered assigns or a successor Securities Depository’s
operational arrangements do not allow for prepayment on a pro rata pass-through distribution of principal
basis, the Taxable Certificates of such maturity will be selected for prepayment, in accordance with Cede
& Co. or its registered assigns or a successor Securities Depository procedures, by lot.

The Corporation and the Authority intend that prepayment allocations made by Cede & Co. or its
registered assigns or a successor Securities Depository be made on a pro rata pass-through distribution of
principal basis as described above. However, the Corporation and the Authority can provide no assurance
that Cede & Co. or its registered assigns or a successor Securities Depository, Cede & Co. or its registered
assigns or a successor Securities Depository’s direct and indirect participants or any other intermediary will
allocate the prepayment of Taxable Certificates on such basis.

In connection with any repayment of principal, including payments of scheduled Sinking Fund
Installments, the Trustee will direct Cede & Co. or its registered assigns or a successor Securities Depository
to make a pass-through distribution of principal to the holders of the Taxable Certificates.

For purposes of calculation of the “pro rata pass-through distribution of principal,” “pro rata”
means, for any amount of principal to be paid, the application of a fraction to each denomination of the
respective maturity of Taxable Certificates where (a) the numerator of which is equal to the amount due to
the respective Bondholders on a payment date, and (b) the denominator of which is equal to the total original
par amount of the respective maturity of Taxable Certificates.
If the Taxable Certificates are no longer registered in book-entry-only form, each Beneficial Owner will receive an amount of Taxable Certificates equal to the original face amount then beneficially held by that Beneficial Owner, registered in such Beneficial Owner’s name. Thereafter, any prepayment of less than all of the Taxable Certificates of any maturity will continue to be paid to the Beneficial Owners of such Taxable Certificates on a pro-rata basis, based on the portion of the original face amount of any such Taxable Certificates to be prepaid.

Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trustee may (but need not) prepare and execute and deliver to the Holder thereof, at the expense of Palomar Health, a new Certificate or Certificates of Authorized Denominations with the same Certificate Payment Date, equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered.

Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and moneys for payment of the Prepayment Price (including, with respect to the Taxable Certificates, the Make-Whole Prepayment Price) of, together with interest accrued to the prepayment date on, the Certificates (or portions thereof) so called for prepayment being held by the Trustee, on the prepayment date designated in such notice, the Certificates (or portions thereof) so called for prepayment shall become due and payable at the Prepayment Price (including, with respect to the Taxable Certificates, the Make-Whole Prepayment Price) specified in such notice and interest accrued with respect thereto to the prepayment date, interest with respect to the Certificates so called for prepayment shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under the Trust Agreements, and the Holders of said Certificates shall have no rights in respect thereof except to receive payment of said Prepayment Price (including, with respect to the Taxable Certificates, the Make-Whole Prepayment Price) and accrued interest to the date fixed for prepayment from funds held by the Trustee for such payment.

All Certificates prepaid pursuant to the provisions of the related Trust Agreement shall be canceled by the Trustee upon surrender thereof (and, if applicable, credited against Mandatory Sinking Account Payments), unless resold at the direction of the District in accordance with the provisions of the related Trust Agreement summarized under the heading “THE CERTIFICATES — Mandatory Purchase in Lieu of Optional Prepayment” herein.

MANDATORY PURCHASE IN LIEU OF OPTIONAL PREPAYMENT

Any Certificates subject to optional prepayment and cancellation pursuant to the optional prepayment provisions of the related Trust Agreement shall also be subject to optional call for purchase by Palomar Health and, at the option of Palomar Health, holding, resale or cancellation by Palomar Health (i.e., a so called purchase in lieu of prepayment) at the same times and at the same purchase price equal to the Prepayment Prices as are applicable to the optional prepayment of such Certificates as provided in such paragraphs (including, with respect to the Taxable Certificates, the Make-Whole Prepayment Price). To exercise such option, Palomar Health shall give the Trustee a Written Request exercising such option within the time period specified in the provisions of the related Trust Agreement summarized under the heading “— Notice of Prepayment; Conditional Notice and Rescission of Notice of Prepayment” herein as though such Written Request were a written request for prepayment, and the Trustee shall thereupon give the holders of the Certificates to be purchased notice of such purchase in the manner specified in the provisions of the related Trust Agreement summarized under the heading “— Notice of Prepayment; Conditional Notice and Rescission of Notice of Prepayment” herein as though such purchase by Palomar Health were a prepayment and the purchase of such Certificates shall be mandatory and enforceable against the holders. On the date fixed for purchase pursuant to any exercise of such option, Palomar Health or its assignee shall pay the purchase price of the Certificates then being purchased to the Trustee in immediately available
funds, and the Trustee shall pay the same to the sellers of such Certificates against delivery thereof. Following such purchase, the Trustee shall cause such Certificates to be registered in the name of Palomar Health or its assignees and shall deliver them to Palomar Health or its assignee. In the case of the purchase of less than all of the Certificates, the particular Certificates to be purchased shall be selected in accordance with the provisions of the related Trust Agreement summarized under the heading “THE CERTIFICATES — Prepayment — Selection of Certificates for Prepayment” herein. No purchase of the Certificates pursuant to these provisions shall operate to extinguish the indebtedness of the Authority evidenced thereby (subject to all the terms and limitations contained in the related Trust Agreement). Notwithstanding the foregoing, no purchase shall be made pursuant to the provisions of the Tax-Exempt Trust Agreement summarized in this paragraph unless a Favorable Opinion of Special Counsel has been delivered.

MANDATORY TENDER OF TAX-EXEMPT CERTIFICATES FOR PURCHASE ON OR AFTER OPTIONAL PREPAYMENT DATE ON A CONVERSION DATE

At the option of Palomar Health, the Tax-Exempt Certificates during the Initial Fixed Period, may be converted, in whole or in part, to operate in a Daily Mode, a Two Day Mode, a Weekly Mode, a Short-Term Mode, a Long-Term Mode, an FRN Mode, a VRO Mode, a Window Mode, a Flexible Mode, a Direct Purchase Mode (as such terms are defined in the Tax-Exempt Trust Agreement) or a new Fixed Period on any date during the period such Tax-Exempt Certificates are subject to optional prepayment pursuant to the provisions of the Tax-Exempt Trust Agreement as described under the subheading “Prepayment — Optional Prepayment” above. Any Conversion of the Tax-Exempt Certificates will be in Authorized Denominations. The Trustee will give Electronic Notice, confirmed by first class mail, of the Conversion and of the mandatory tender to the holders of the Tax-Exempt Certificates, not fewer than 20 days prior to the Conversion Date.

Such notice will state, among other things: (i) the Conversion Date; (ii) that such Tax-Exempt Certificates will be subject to mandatory tender for purchase on such Conversion Date (herein also referred to as the “Mandatory Purchase Date”); (iii) that Holders may not elect to retain such Tax-Exempt Certificates subject to mandatory tender; (iv) that all such Tax-Exempt Certificates subject to mandatory tender will be required to be delivered to the designated corporate trust office of the Trustee on the Mandatory Purchase Date at the time specified in the Tax-Exempt Trust Agreement; (v) that if the Holder of any Tax-Exempt Certificate subject to mandatory tender fails to deliver such Tax-Exempt Certificate to the Trustee for purchase on the Mandatory Purchase Date, and if the Trustee is in receipt of funds sufficient to pay the Purchase Price thereof, such Tax-Exempt Certificate (or portion thereof) will nevertheless be deemed purchased on the Mandatory Purchase Date and ownership of such Tax-Exempt Certificate (or portion thereof) will be transferred to the purchaser thereof; (vi) that any Holder that fails to deliver any Tax-Exempt Certificate for purchase will have no further rights thereunder or under the Tax-Exempt Trust Agreement except the right to receive the Purchase Price thereof upon presentation and surrender of such Tax-Exempt Certificate to the Trustee and that the Trustee will place a stop transfer against the Tax-Exempt Certificates subject to mandatory tender registered in the name of such Holder(s) on the Registration Books; (vii) that if moneys sufficient to effect such purchase will have been provided through (A) the remarketing of such Tax-Exempt Certificates by the Remarketing Agent, or (B) funds provided by Palomar Health, all such Tax-Exempt Certificates will be purchased, and (viii) in the case of mandatory tender upon any proposed Conversion of Tax-Exempt Certificates, that such Conversion and such mandatory tender will not occur in the event any of the conditions to Conversion specified in the Tax-Exempt Trust Agreement are not satisfied, and that any such failure to effect the Conversion will not constitute an Event of Default.

Such Conversion from the Initial Fixed Period and mandatory tender of the Tax-Exempt Certificates will not occur unless the following occurs: (i) a Favorable Opinion of Special Counsel is
provided with respect to such Conversion; (ii) the remarketing proceeds and funds transferred by Palomar Health to the Trustee and available on the Conversion Date are not less than the amount required to purchase all of such Tax-Exempt Certificates to be converted at the applicable Purchase Price; (iii) in the case of any Conversion of Tax-Exempt Certificates to any Interest Rate Mode (except a Direct Purchase Mode), prior to the Conversion Date, Palomar Health appoints a remarketing agent and a remarketing agreement has been executed and delivered; and (iv) for a Conversion of less than all of the Tax-Exempt Certificates, the Tax-Exempt Certificates will be designated into separate sub-series as provided in the Tax-Exempt Trust Agreement. In addition to the conditions described above and notwithstanding Palomar Health’s delivery of notice of the exercise of its option to effect a Conversion for the Tax-Exempt Certificates, such Conversion to the new Interest Rate Mode will not take effect if: (a) the Remarketing Agent fails to determine, when required, the interest rate for the new Interest Rate Mode or Interest Rate Period, as applicable; (b) the notice of Conversion to the Holders of such Tax-Exempt Certificates is not given when required; (c) sufficient funds are not available by the time specified in the Tax-Exempt Trust Agreement on the Conversion Date to purchase all of such Tax-Exempt Certificates required to be purchased on such Conversion Date, or (d) not all of the Tax-Exempt Certificates required to be purchased on such Conversion Date are remarketed in the new Interest Rate Mode or Interest Rate Period, as applicable, on the Conversion Date. Palomar Health has no obligation to purchase the Tax-Exempt Certificates on a Conversion Date if sufficient remarketing proceeds are not available to purchase such the Tax-Exempt Certificates subject to mandatory tender on the Conversion Date.

In connection with any proposed Conversion of the Tax-Exempt Certificates from the Initial Fixed Mode to a different Interest Rate Mode or a new Fixed Period, Palomar Health has the right to deliver to the Trustee and the Authority on or prior to 10:00 a.m., New York City time, on the second Business Day prior to the proposed effective date of any such Conversion or prior to the date on which the interest rate for the new Interest Rate Mode is to be determined, whichever is earlier, a notice to the effect that Palomar Health elects to rescind its election to implement any such Conversion. The Trustee shall give Electronic Notice, confirmed by first class mail, on the Business Day next succeeding receipt of Palomar Health’s notice of rescission, to the Holders of the Tax-Exempt Certificates subject to such Conversion being rescinded. If Palomar Health rescinds its election to implement any such Conversion, then such Conversion will not occur, the mandatory tender will not occur and the Tax-Exempt Certificates will continue to bear interest in the current Interest Rate Mode and the current interest rate in effect immediately prior to such proposed Conversion Date.

Payment of the Purchase Price; Failed Conversion. Funds for the payment of the Purchase Price of the Tax-Exempt Certificates will be received by the Trustee from the following sources and used in the order of priority indicated: (A) proceeds of the sale of the Tax-Exempt Certificates remarketed and furnished to the Trustee by the Remarketing Agent; and (B) moneys provided by Palomar Health to the Trustee, if applicable. If any condition precedent to the Conversion of the Interest Rate Mode on the Tax-Exempt Certificates required under the Tax-Exempt Trust Agreement and more specifically described above will not be satisfied, including delivery of the required Favorable Opinion of Special Counsel, then such Conversion shall not occur and the Tax-Exempt Certificates will not be subject to mandatory tender for purchase on the proposed Conversion Date. **Palomar Health has no obligation to purchase Tax-Exempt Certificates on a Conversion Date if sufficient remarketing proceeds are not available to purchase such Tax-Exempt Certificates subject to mandatory tender on the Conversion Date. Failure of Palomar Health to provide sufficient funds for the purchase of all tendered Tax-Exempt Certificates on a Conversion Date will not constitute an Event of Default under the Tax-Exempt Trust Agreement. If such Tax-Exempt Certificates are not purchased when required, then such Conversion of the Interest Rate Mode will not occur and such Tax-Exempt Certificates will continue**
to represent interest accruing in the current Interest Rate Mode and at the current interest rate as in effect immediately prior to such proposed Conversion Date.

SECURITY FOR THE CERTIFICATES

GENERAL

The Certificates represent undivided proportionate ownership interests in the related Installment Payments required to be paid by Palomar Health under the related Sale Agreement to the Trustee, as the assignee of all of the Authority’s rights to such related Installment Payments. Palomar Health’s obligations under the related Sale Agreement, including its obligation to make related Installment Payments, are limited obligations of Palomar Health and are payable by Palomar Health solely from its Gross Revenues (defined below). For a description of the provisions of the Master Indenture, including covenants of the Obligated Group, see APPENDIX C-1 — “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13,” of the Tax-Exempt Trust Agreement and Tax-Exempt Sale Agreement, see APPENDIX C-2 — “SUMMARY OF THE TAX-EXEMPT TRUST AGREEMENT, THE TAX-EXEMPT INSTALLMENT SALE AGREEMENT AND THE TAX-EXEMPT PURCHASE AGREEMENT” and of the Taxable Trust Agreement and Taxable Sale Agreement, see APPENDIX C-3 — “SUMMARY OF THE TAXABLE TRUST AGREEMENT, THE TAXABLE INSTALLMENT SALE AGREEMENT AND THE TAXABLE PURCHASE AGREEMENT.”

PALOMAR HEALTH IS NOT OBLIGATED TO PAY INSTALLMENT PAYMENTS EXCEPT FROM ITS GROSS REVENUES. PALOMAR HEALTH SHALL NOT BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS OF PALOMAR HEALTH FOR ALL OR ANY PORTION OF THE INSTALLMENT PAYMENTS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, OR PALOMAR HEALTH, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL COMPONENT, PREPAYMENT PREMIUM, IF ANY, OR INTEREST COMPONENT WITH RESPECT TO THE CERTIFICATES.


In order to secure the obligation of Palomar Health to make Tax-Exempt Installment Payments, Palomar Health will execute and deliver to the Trustee Obligation No. 12. In order to secure the obligation of Palomar Health to make Taxable Installment Payments, Palomar Health will execute and deliver to the Trustee Obligation No. 13. Palomar Health and Palomar Medical Group are the only Members of the Obligated Group created under the Master Indenture. Palomar Health, Palomar Medical Group and any
future Obligated Group Members are jointly and severally obligated to make payments on all Master Indenture Obligations issued under the Master Indenture, including Obligation No. 12 and Obligation No. 13. Payments on Obligation No. 12 and Obligation No. 13 are required to be sufficient to pay, when due, the Tax-Exempt Installment Payments and Taxable Installment Payments, respectively, due from Palomar Health under the Tax-Exempt Sale Agreement and Taxable Sale Agreement, respectively. Obligation No. 12 and Obligation No. 13 entitle the Trustee, as the holder of each of Obligation No. 12 and Obligation No. 13, to the protection of the covenants, restrictions and other obligations imposed upon the Obligated Group under the Master Indenture.

INSTALLMENT PAYMENTS

Under the Tax-Exempt Sale Agreement, Palomar Health is obligated to make Tax-Exempt Installment Payments, which have separately designated principal components and interest components. The Authority has assigned, without recourse, the Tax-Exempt Installment Payments to the Trustee for the benefit of the Holders of the Tax-Exempt Certificates. Under the Taxable Sale Agreement, Palomar Health is obligated to make Taxable Installment Payments, which have separately designated principal components and interest components. The Authority has assigned, without recourse, the Taxable Installment Payments to the Trustee for the benefit of the Holders of the Taxable Certificates.

Palomar Health is also required in the Sale Agreements to make Supplemental Payments to pay: fees of the Trustee, accountants, management consultants, attorneys and other experts required to perform services required under the Sale Agreements, the Trust Agreements or the Purchase Agreements; reasonable fees and expenses of the Authority associated with the financing; and all other reasonable and necessary fees and expenses attributable to the Sale Agreements.

Palomar Health is not obligated to pay Installment Payments, Supplemental Payments or any other payments under the Sale Agreements except from Gross Revenues (defined under “SECURITY FOR THE CERTIFICATES — The Master Indenture — Pledge of Gross Revenues” below).

TRUST AGREEMENTS

Generally. Pursuant to each Trust Agreement, the Authority appoints the Trustee: to hold and disburse related Installment Payments paid to the Trustee under the related Sale Agreement; to execute, deliver and administer the related Certificates; to apply and disburse related Installment Payments to the related Holders of the related Certificates; to hold and disburse certain other funds held under the related Trust Agreement; and to perform certain other duties. The Trustee in turn accepted such appointment pursuant to the terms of the related Trust Agreement.

In order to secure the payment of the principal and interest components of the related Certificates under the related Trust Agreement, the Authority will transfer in trust, grant a security interest in and assign to the Trustee, for the benefit of the Holders from time to time of the related Certificates, (i) all of the Authority’s interests in the related Installment Payments, (ii) all of the Authority’s interests in any amounts held in any fund or account established pursuant to the related Trust Agreement (excepting only moneys in the Rebate Fund (with respect to the Tax-Exempt Certificates), Administrative Fees and Expenses and certain reserved amounts pursuant to the related Sale Agreement); (iii) all of the Authority’s rights, title and interests in the related Sale Agreement (except for the Authority’s rights to payment of its expenses and indemnification); and (iv) all of the Authority’s rights, title and interest in Obligation No. 12 and Obligation No. 13.
Joint and Several Obligations. Under the Master Indenture, Palomar Health may issue or incur, for itself, Palomar Medical Group and on behalf of any future Obligated Group Members, Master Indenture Obligations to evidence or secure indebtedness and other obligations. All Obligated Group Members are jointly and severally liable with respect to the payment of the Obligations related to the Existing Revenue Obligations (as defined herein), Obligation No. 12, Obligation No. 13 and all future Master Indenture Obligations. For a discussion of admission to or withdrawal from the Obligated Group, see APPENDIX C-1 — “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — MASTER INDENTURE — Particular Covenants of the Members — Membership in Obligated Group” and “— Withdrawal from Obligated Group.”

Upon the execution and delivery of the Certificates and the application of the proceeds thereof and the issuance of Obligation No. 12 and Obligation No. 13, all Obligated Group Members will be required to make payments on the following Master Indenture Obligations (collectively, the “Existing Revenue Obligations”) in addition to Obligation No. 12 and Obligation No. 13:

- Obligation No. 8, in an amount sufficient to pay, when due, the principal of, premium, if any, and interest on the Palomar Health Refunding Revenue Bonds, Series 2016, which are currently outstanding in an aggregate principal amount of $__________ (the “Series 2016 Bonds”);

- Obligation No. 9, in an amount sufficient to pay, when due, the principal of, premium, if any, and interest on the Palomar Health Refunding Revenue Bonds, Series 2017, which are currently outstanding in the aggregate principal amount of $____________ (the “Series 2017 Bonds”);

- Obligation No. 10, in an amount sufficient to pay, when due, the principal and interest components of certain revenue certificates of participation that were executed and delivered in 2017, evidencing proportionate interests in certain installment payments to be paid by Palomar Health, which are currently outstanding in the aggregate principal amount of $___________ (the “Series 2017 Certificates”); and

- Obligation No. 11, in an amount sufficient to pay, when due, the principal and interest components of certain revenue certificates of participation that were executed and delivered in 2021, evidencing proportionate interests in certain installment payments to be paid by Palomar Health, which are currently outstanding in the aggregate principal amount of $____________ (the “Series 2021 Certificates”).

Replacement of Obligation No. 12 or Obligation No. 13. Under the circumstances described in the related Trust Agreement, each of Obligation No. 12 and Obligation No. 13 may be exchanged by the Trustee, without the necessity of obtaining the consent of any of the Holders of the related Certificates, for an obligation issued under a different master trust indenture securing obligations of a different obligated group that would include among its members Palomar Health or current Obligated Group Members. This could, under certain circumstances, lead to the substitution of different security in the form of an obligation backed by an obligated group that is financially and operationally different from the Obligated Group. Such new obligated group could have substantial debt outstanding that would rank on a parity with the substitute obligation. In order to exchange Obligation No. 12 or Obligation No. 13, the Obligated Group must meet certain tests and requirements, as described in APPENDIX C-2 — “SUMMARY OF THE TAX-EXEMPT TRUST
Pledge of Gross Revenues. Pursuant to the Master Indenture, each Obligated Group Member pledges to the Master Trustee, and grants to the Master Trustee, a security interest in, all its right, title and interest, to, and under the Gross Revenues and the Gross Revenue Fund and the proceeds thereof (collectively, the “Collateral”) as security for its performance under the Master Indenture. The term “Gross Revenues” is defined in the Master Indenture to mean all revenues, income, moneys, fees, rates, receipts, rentals, charges, issues and income received by or on behalf of the Obligated Group Members from all sources, including without limitation gifts, bequests, grants, devises and contributions (exclusive of (a) proceeds of ad valorem or other taxes, (b) those gifts, bequests, grants, devises and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of debt service or any Indebtedness or operating expenses of the Obligated Group Members, (c) research grants, the proceeds of which are limited to the direct and indirect costs of specific research or clinical trials, and (d) gifts, bequests, grants, devises and contributions received by any foundation controlled by an Obligated Group Member and not transferred to an Obligated Group Member), moneys received from the operation of the Obligated Group Members’ business or the possession of its properties, rentals received from the lease of office space, and proceeds derived from (i) insurance or condemnation awards (except to the extent such proceeds are required by the terms of the applicable insurance policy or the Master Indenture (or other agreements with respect to the Indebtedness which the Obligated Group Members are permitted to incur pursuant to the terms of the Master Indenture) to be used for purposes inconsistent with their use for the payment of Master Indenture Obligation Payments), (ii) accounts receivable, (iii) securities and other interests, (iv) inventory and other tangible and intangible property, (v) medical reimbursement/payment program and agreements, (vi) insurance and (vii) contract rights and other rights and assets now or hereafter owned by the Obligated Group Members. Accounts receivable are not included in Gross Revenues, but proceeds of accounts receivable are included in Gross Revenues.

Each Member of the Obligated Group agrees pursuant to the Master Indenture that, so long as any of the Master Indenture Obligations remain outstanding under the Master Indenture, all of the Gross Revenues of the Obligated Group will be deposited as soon as practicable upon receipt in one or more deposit accounts designated as the “Gross Revenue Fund,” established with one or more designated banking institutions (each, a “Depository Bank”). In addition, each Member of the Obligated Group agrees to enter into one or more deposit account control agreements (“Account Control Agreements”) with each Depository Bank and the Master Trustee.

Gross Revenues and amounts in the Gross Revenue Fund will be permitted to be used and withdrawn by any Obligated Group Member at any time for any lawful purpose, except as provided in the Master Indenture. All Gross Revenues withdrawn by an Obligated Group Member from the Gross Revenue Fund as permitted by the Master Indenture will not be subject to the lien of the Master Indenture, nor will any bank account of the Obligated Group Members other than the Gross Revenue Fund. Gross Revenues may be deposited into other bank accounts of the Obligated Group Members before they are deposited into the Gross Revenue Fund or after they are withdrawn from the Gross Revenue Fund, and such other bank accounts are not subject to the lien of the Master Indenture.

The security interest in the Gross Revenues and the Gross Revenues Fund will be perfected to the extent, and only to the extent, that the security interest may be perfected by the filing of a UCC financing
There may not be a perfected security interest in some or all of the Gross Revenues prior to the deposit of such Gross Revenues into the Gross Revenue Fund, nor will there be a perfected security interest in any Gross Revenues after they are withdrawn from the Gross Revenue Fund. Under the Master Indenture, if the pledge of Gross Revenues is subject to Section 5451 of the California Government Code with respect to any Obligated Group Member, such Obligated Group Member is not required to comply with the provisions of the Uniform Commercial Code with respect to the Gross Revenues of such Obligated Group Member if the Master Trustee receives an Opinion of Counsel to the effect that the pledge of Gross Revenues is subject to Section 5451 of the California Government Code. An opinion of counsel — that a valid security interest in the portion of the Collateral described in the Master Indenture has been created by Palomar Health pursuant to Section 5451 of the California Government Code — has previously been delivered.

Even if the lien of the Master Indenture is perfected, the lien may not be of first priority. The security interest in Gross Revenues may be subordinated to the interests and claims of others in several circumstances (for instance statutory liens, liens in favor of the United States or an agency thereof, where assignment violates existing or future prohibitions on assignment under statute, and liens imposed through the exercise by courts of equitable powers).

No real property or other assets of Palomar Health or Palomar Medical Group, other than the Gross Revenues and Gross Revenue Fund, are pledged to secure Master Indenture Obligations, including Obligation No. 12 and Obligation No. 13. For information regarding the enforceability of the pledge of Gross Revenues and Gross Revenue Fund, see “CERTIFICATEHOLDERS’ RISKS — Enforceability of Security Interest in Gross Revenues and the Gross Revenue Fund May Be Limited” herein.

The obligations of the Members of the Obligated Group under the Obligation No. 12 and Obligation No. 13 and the Master Indenture will be limited to the same extent as the obligations of debtors are typically affected by bankruptcy, insolvency and the application of general principles of creditors’ rights and as additionally described below. Although upon the execution and delivery of the Certificates, Palomar Health and Palomar Medical Group will be the only Members of the Obligated Group, the Master Indenture permits the addition of other Obligated Group Members, as well as the withdrawal of Obligated Group Members, if certain conditions are met. The joint and several obligations described herein of the Members of the Obligated Group to make Required Payments on the Master Indenture Obligations issued pursuant to and under the Master Indenture may not be enforceable. See “CERTIFICATEHOLDERS’ RISKS — Obligated Group Financings Carry Certain Risks” herein.

A Member of the Obligated Group may not be required to make any payment of any Master Indenture Obligation, or portion thereof, or the recipient of such payment may be compelled to return such payment, the proceeds of which were not lent or otherwise disbursed to such Member to the extent that such payment would conflict with, or would not be enforceable, prohibited or avoidable under applicable laws. See “CERTIFICATEHOLDERS’ RISKS — Enforcement of Remedies May Be Limited or Delayed by Bankruptcy or Other Laws” herein.

The legal right and practical ability of the Trustee to enforce its rights and remedies against Palomar Health under the Trust Agreements and the Sale Agreements, and against Palomar Health, Palomar Medical Group or any future Member of the Obligated Group under Obligation No. 12 and Obligation No. 13, and of the Master Trustee to enforce its rights and remedies against Palomar Health, Palomar Medical Group or any future Member of the Obligated Group under the Master Indenture, will depend upon the exercise of various remedies specified by such documents, which may in many instances require judicial actions that
are often subject to discretion and delay or that otherwise may not be readily available or may be limited. See “CERTIFICATEHOLDERS’ RISKS — Enforcement of Remedies May Be Limited or Delayed by Bankruptcy or Other Laws” herein.

Additional Obligations. The Master Indenture permits any Member of the Obligated Group to issue additional Master Indenture Obligations under the Master Indenture to be secured by the provisions of the Master Indenture. All Master Indenture Obligations, regardless of the dates of issuance or maturity, will be of equal rank without preference, priority or distinction of any Master Indenture Obligations issued under the Master Indenture over any other such Master Indenture Obligations, except as expressly provided or permitted in the Master Indenture. See APPENDIX C-1 — “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — Master Indenture — Authorization and Issuance of Master Indenture Obligations.”

Additional Indebtedness and Liens. Members of the Obligated Group may incur additional Indebtedness and other obligations that may, but need not, be evidenced or secured by additional Master Indenture Obligations. See APPENDIX C-1 — “SUMMARY OF MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — MASTER INDENTURE — Particular Covenants of the Members — Limitation on Indebtedness” herein. Certain Indebtedness and other obligations of the Obligated Group are and may be secured by liens on certain of the Obligated Group’s personal property (including Gross Revenues). All such liens are required by the Master Indenture to qualify as Permitted Liens (as defined in the Master Indenture). See APPENDIX C-1 — “SUMMARY OF MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — Master Indenture — Particular Covenants of the Members — Limitation on Encumbrances.”

ADDITIONAL COVENANTS

Payment of principal and interest on the Series 2017 Bonds is guaranteed by an insurance policy issued by Assured Guaranty Municipal Corp. (the “2017 Insurer”). The 2017 Insurer also issued a reserve fund policy for each of the Series 2017 Bonds and the Series 2017 Certificates. As a condition for the 2017 Insurer’s obligations with respect to the Series 2017 Bonds and the Series 2017 Certificates, the Master Indenture was supplemented with additional covenants solely for the benefit of the 2017 Insurer. Violation of such covenants constitute an Event of Default under the Master Indenture in the sole discretion of the 2017 Insurer and are applicable only so long as the policies are in full force and effect. See “BONDHOLDERS’ RISKS — Certain Agreements with, or Covenants with Respect to, Financial Institutions or Insurers Could Affect Available Funds” herein. [Update- disclose particular covenants?]

GENERAL OBLIGATION BONDS

As of the date of this Official Statement, approximately $___________ in principal amount of general obligation bonds issued by Palomar Health is outstanding (the “GO Bonds”). The GO Bonds are payable from and secured by a pledge of ad valorem taxes required to be levied by the County of San Diego upon all property subject to taxation by Palomar Health for the payment of the principal of and interest on such GO Bonds, without limitation as to rate or amount (except certain personal property, which is taxable at limited rates). None of the GO Bonds are secured by a pledge of the Gross Revenues. See “INFORMATION CONCERNING PALOMAR HEALTH AND THE OBLIGATED GROUP — HISTORICAL FINANCIAL INFORMATION — Summary of Historical Financial Data” in APPENDIX A hereto.

In the event the ad valorem property taxes that are pledged by Palomar Health to the payment of its GO Bonds are insufficient to pay such GO Bonds, Palomar Health is required by Section 37127 of the
Local Health Care District Law to use money in its maintenance and operating fund to make up such insufficiency in such ad valorem taxes to pay such GO Bonds. The Gross Revenues are a part of its maintenance and operation fund which must be used to make up such an insufficiency. Palomar Health anticipates that the ad valorem taxes pledged to pay its GO Bonds will be sufficient to pay the GO Bonds when due. The Installment Payments represented by the Certificates are not obligations of the District to which the full faith and ad valorem tax power of Palomar Health has been pledged. See “INFORMATION CONCERNING PALOMAR HEALTH AND THE OBLIGATED GROUP — HISTORICAL FINANCIAL INFORMATION — Summary of Historical Financial Data” in APPENDIX A hereto.

POSSIBLE BOND INSURANCE

The Members of the Obligated Group have requested a Commitment from AGM to issue the Policy that would guarantee the scheduled payments of the principal of and interest on all or a portion of the insured Certificates when due. The Obligated Group has not made a final determination to purchase the Policy and may choose not to purchase the Policy. The requested Commitment may or may not be received, and if received, may not be in an amount that provides for a Policy insuring all of the Certificates. If received, the Obligated Group’s decision whether to purchase the Policy will be made at or about the time of pricing the Certificates and will be based upon, among other things, market conditions at that time. If the Policy is offered and the Obligated Group decides to obtain the Policy, it will be a condition to the issuance of the Certificates that the Policy be issued concurrently with the issuance of the Certificates and it is possible that all or only some of the Certificates may be insured. If the Policy is purchased, the Obligated Group may agree to certain additional covenants and restrictions solely for the benefit of AGM, which covenants will be in addition to, and in certain cases more restrictive than, the covenants in the Master Indenture. Any such covenants could be waived, modified or amended by AGM in its sole discretion and without notice to or consent of the Trustee, the Master Trustee, the holders of any Master Indenture Obligations or the Certificates or any other person. If the Policy is purchased, AGM would be deemed the sole holder of any Certificates insured by the Policy for purposes of exercising any voting rights or privilege or giving any consent or direction or taking any other action that the holders of such Certificates are entitled to take pursuant to the Trust Agreements and related documents. If the Policy is issued, the final official statement for the Certificates will contain applicable information with respect to AGM and the Policy.

PLAN OF FINANCE

The proceeds of the Certificates, together with other available funds, are expected to be used to: (i) finance and/or reimburse Palomar Health for the costs of the Project, (ii) currently refund and prepay all of the outstanding Series 2006 Certificates, $_______ of which remain outstanding, (iii) pay the Swap Termination Payment, and (iv) pay certain costs associated with the execution and delivery of the Certificates.

THE PROJECT

Palomar Health will use a portion of the proceeds of the Tax-Exempt Certificates to finance the costs of the Project. See “FACILITIES, SERVICES AND MEDICAL STAFF — The Projects” in APPENDIX A hereto.
THE SERIES 2006 CERTIFICATES

A portion of the proceeds of the Tax-Exempt Certificates and a portion of the proceeds of the Taxable Certificates will be irrevocably deposited in an escrow fund (the “Escrow Fund”) established pursuant to an Escrow Agreement, dated as of November 1, 2022 between Palomar Health and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as trustee with respect to the Series 2006 Certificates and as escrow agent. The funds deposited in the Escrow Fund will be sufficient to provide for the payment of the principal component and interest component, assuming the maximum interest rate of 15% per annum under the trust agreement related to the Series 2006 Certificates, of the Series 2006 Certificates to and including the anticipated prepayment dates of (i) December 6, 2022, with respect to the Series 2006A Certificates, (ii) December 7, 2022, with respect to the Series 2006B Certificates, and (iii) December 8, 2022, with respect to the Series 2006C Certificates (each, a “Prepayment Date”), at a prepayment price of 100% of the principal amount thereof plus accrued interest to the related Prepayment Date. Upon such irrevocable deposit, the Series 2006 Certificates will be deemed paid and no longer outstanding. The deposit of moneys into the Escrow Fund will constitute an irrevocable deposit for the benefit of the holders of the Series 2006 Certificates. Upon the prepayment of all of the Series 2006 Certificates, any excess remaining in the Escrow Fund will be used for the Project.

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**ESTIMATED SOURCES AND USES OF PROCEEDS**

The following table sets forth the estimated sources and uses of proceeds of the Certificates and certain other funds:

<table>
<thead>
<tr>
<th>SOURCES OF FUNDS</th>
<th>TAX-EXEMPT CERTIFICATES</th>
<th>TAXABLE CERTIFICATES</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td>Principal Amount</td>
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<tr>
<td>Net Original Issue Premium</td>
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<tr>
<td>Funds held by trustee for the Series 2006 Certificates</td>
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<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>USES OF FUNDS</th>
<th>TAX-EXEMPT CERTIFICATES</th>
<th>TAXABLE CERTIFICATES</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td>Deposit to Project Fund</td>
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<tr>
<td>Deposit to Escrow Fund</td>
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<tr>
<td>Swap Termination Payment(1)</td>
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<td>Costs of Delivery(2)</td>
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<td><strong>TOTAL USES</strong></td>
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</table>

(1) The Swap Termination Payment will be paid to Citibank, N.A., an affiliate of the Underwriter. See “CERTAIN RELATIONSHIPS” herein.

(2) Includes proceeds applied for the payment of legal and accounting fees, Underwriter’s discount, Trustee and Master Trustee fees and expenses, printing costs, rating agency fees and miscellaneous other expenses of delivery.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]
ESTIMATED ANNUAL PAYMENT REQUIREMENTS

The following table sets forth for each fiscal year ending June 30, the total debt service requirements for the Certificates, all other long-term revenue obligations of Palomar Health that will be outstanding following the execution and delivery of, and the application of the proceeds of, the Certificates, including the defeasance of the Series 2006 Certificates, as described under the caption “PLAN OF FINANCE”. The following table does not include debt service on the GO Bonds of Palomar Health, which are secured by ad valorem taxes and which are further described under APPENDIX A — “INFORMATION CONCERNING PALOMAR HEALTH AND THE OBLIGATED GROUP — MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE — Outstanding Long-Term Debt” and “— Historical and Pro Forma Debt Service Coverage of Revenue Obligations.”

<table>
<thead>
<tr>
<th>FISCAL YEAR ENDING JUNE 30,</th>
<th>TAX-EXEMPT CERTIFICATES</th>
<th>TAX-EXEMPT CERTIFICATES</th>
<th>TAXABLE CERTIFICATES</th>
<th>TAXABLE CERTIFICATES</th>
<th>TOTAL PAYMENT REQUIREMENTS ON OTHER OUTSTANDING LONG-TERM REVENUE OBLIGATIONS(1)</th>
<th>TOTAL PAYMENT REQUIREMENTS</th>
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</table>

(1) Includes debt service on the Existing Revenue Obligations described under “SECURITY FOR THE CERTIFICATES — Master Indenture” and reflects mandatory sinking account prepayments. Does not include debt service on the GO Bonds of Palomar Health. See APPENDIX A — “INFORMATION CONCERNING PALOMAR HEALTH AND THE OBLIGATED GROUP — MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE — Outstanding Long-Term Debt.”
CERTIFICATEHOLDERS’ RISKS

The business of the Obligated Group is subject to a number of risks and uncertainties, many of which are beyond its control. Such risks may cause actual operating results or financial performance to be materially different from expectations, thereby affecting payments to be made with respect to the Certificates. The following briefly describes certain risks that could affect payments with respect to the Certificates. This discussion of risk factors is not, and is not intended to be, exhaustive. Prospective purchasers of the Certificates should analyze carefully the information contained in the entirety of this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

All or any of the following risks could be exacerbated by the COVID-19 pandemic discussed below.

REALIZATION OF REVENUES SUFFICIENT TO PAY DEBT SERVICE IS NOT GUARANTEED

The Installment Payments are payable solely from Gross Revenues and funds provided under Obligation No. 12 and Obligation No. 13. No representation or assurance can be made that the revenues will be realized by Palomar Health or the Obligated Group in amounts sufficient to pay that principal, any premium and interest when due. Any of the risk factors described in the Official Statement may affect and impair the Obligated Group’s ability to make those payments. There can be no assurance that the financial condition or operations of the Obligated Group will not be adversely affected by any of these or other factors.

The Obligated Group’s ability to realize revenues sufficient to pay outstanding obligations, including debt service when due on the Certificates, is affected by and subject to many conditions that may change in the future to an extent and with effects that cannot be determined. The Obligated Group’s receipt of future revenues is subject to, among other factors: (1) federal and state laws and regulations, particularly those targeting the health care industry, (2) the policies of third-party payors, including governmental payors (e.g., Medicare and Medicaid) and commercial payors, (3) relationships with third-party payors, including the Obligated Group’s ability to maintain favorable third-party payor contracts, (4) future economic conditions, including as impacted by the Novel Coronavirus 2019 ("COVID-19") pandemic, (5) the duration and scope of the COVID-19 pandemic and governmental, business, and public responses to such pandemic, (6) health care reform efforts, including any laws that significantly alter the health care delivery system or insurance markets, (7) increased competition from other health care providers, and (8) the capability of management of the Obligated Group (“Management”). There is no assurance that the Obligated Group’s future revenues will be sufficient to pay debt service on the Certificates when due.

FUTURE LEGISLATION COULD ADVERSELY AFFECT OPERATION, FINANCIAL CONDITION OR TAX-EXEMPT STATUS

Legislation is periodically introduced in the U.S. Congress and in the State legislature that could adversely affect the operations or financial condition of the Obligated Group. In addition to legislative proposals specifically discussed herein, examples of legislative proposals that could have an adverse effect on the Members of the Obligated Group if they were to become law include: (1) laws limiting hospital revenues, reimbursement, costs or charges, (2) laws requiring an increase in the quantity of indigent care required to maintain federal or state tax-exempt status, (3) any changes in the taxation of nonprofit corporations or in the scope of their exemption from income or property taxes, (4) limitations on the amount or availability of tax-exempt financing for governmental entities and/or corporations described in
Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), (5) limitations on the Obligated Group’s ability to undertake capital projects or develop new services, (6) elimination of the exclusion of interest on tax-exempt bonds or revenue obligations from gross income for all or some taxpayers, or (7) laws subjecting all or a portion of an Obligated Group Member’s income to federal or state income taxes or other tax penalties. The scope and effect of future legislation cannot be predicted but may adversely affect the Obligated Group’s operation, financial condition or tax-exempt status.

**TAX TREATMENT OF THE TAX-EXEMPT CERTIFICATES COULD BE ADVERSELY AFFECTED BY FAILURE TO COMPLY WITH LEGAL REQUIREMENTS OR FUTURE LEGISLATION**

As described hereinafter under the caption “TAX MATTERS — Tax-Exempt Certificates,” failure to comply with certain continuing legal requirements may cause interest on the Tax-Exempt Certificates to become subject to federal income taxation retroactive to the date of execution and delivery of the Tax-Exempt Certificates. The Tax-Exempt Trust Agreement does not provide for the payment of any additional interest or penalty in the event of the taxability of interest on the Tax-Exempt Certificates.

Although the Internal Revenue Service (“IRS”) has only infrequently taxed the interest received by holders of bonds that were represented to be tax-exempt, the IRS has examined a number of bond issues and concluded that such bond issues did not comply with applicable provisions of the Code and related regulations. The IRS has typically entered into closing agreements with issuers and beneficiaries of such bond issues under which potentially substantial payments have been made to the IRS to settle the issue of whether the interest on such bond issues could be treated as tax-exempt. No assurance can be given that the IRS will not examine a Certificateholder, the Obligated Group or the Tax-Exempt Certificates. If such an examination were to occur, it could have an adverse impact on the marketability and price of the Tax-Exempt Certificates and could lead to claims by the IRS for payment of substantial amounts by the Obligated Group to resolve any issue.

Legislative proposals to eliminate or limit the benefit of tax-exempt interest on bonds such as the Tax-Exempt Certificates have been made in the past, may currently be under consideration, and may be made again in the future. If adopted, any such proposal could alter the federal and/or state tax treatment described under the heading “TAX MATTERS” or could adversely affect the market value or marketability of the Tax-Exempt Certificates and the financial condition of the Obligated Group. In addition, the adoption of any such legislation could increase the cost to the Obligated Group of financing future capital needs.

**PALOMAR HEALTH’S STATUS AS A LOCAL HEALTH CARE DISTRICT CARRIES CERTAIN RISKS**

As a local health care district and political subdivision of the State, the powers of Palomar Health and the method of exercising its powers are governed by the laws of the State, which have been, and may in the future be, amended by the State legislature and interpreted by State courts. Such amendments and interpretations could be adverse to Palomar Health. There can often be tension between the law and rules designed to regulate governmental entities, such as Palomar Health, and the day-to-day operations of a complex health care organization. In addition, as a local health care district, Palomar Health is subject to laws that non-governmental competitors are not, including restrictions on the use of public funds, the Ralph M. Brown Act located at California Government Code 54950 et seq. (which generally requires the Palomar Health Board of Directors to take action only at public meetings), local health care district law (which has been interpreted as, among other things, prohibiting local health care districts from granting indemnities in certain circumstances), and various laws prohibiting conflicts of interest and laws permitting the grand jury of the County of San Diego, California to investigate complaints made to the grand jury about Palomar Health and to issue reports concerning such investigations. These laws impose additional operational
burdens on hospitals run by local health care districts that do not apply to other hospitals and may result in prosecution or other sanctions, if violated.

COVID-19 PANDEMIC HAS CAUSED ECONOMIC TURMOIL AND COULD FURTHER NEGATIVELY IMPACT FINANCIAL CONDITION

General. In February 2020, the Centers for Disease Control and Prevention (“CDC”) confirmed the spread of COVID-19 to the United States. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and the United States federal government declared COVID-19 a national emergency. The COVID-19 pandemic has had, and continues to have, numerous and varied medical, economic, and social impacts, any and all of which may adversely affect the Obligated Group’s business and financial condition.

National, state, and local authorities have taken, and may continue to take, various actions, including the passage of laws and regulations, on a wide array of topics, in an attempt to curtail the spread of the virus, to avoid overwhelming the health care system, and to address the health and economic consequences of the pandemic. Many of these government actions have caused substantial changes to the way health care is provided and how society in general functions and some changes may have long-term consequences for the way health care services are provided, such as expanded use of telehealth services. Although COVID-19 vaccines are widely available in the U.S., many citizens remain unvaccinated. Additionally, it is impossible to predict what percentage of the population will ultimately be vaccinated, the duration of vaccine protection, and whether current vaccines will protect against new COVID-19 variants, which continue to emerge. Accordingly, it is not clear how long public health safety measures will remain in place or whether any new measures will be required. The continued spread of COVID-19 and containment and mitigation efforts could have a material adverse effect on the operations of the Obligated Group and on state, national, and global economies.

Intermittent surges in COVID-19 cases and hospitalizations have been occurring throughout the United States, including in the state of California. In response to the continued spread of COVID-19, President Biden announced a COVID-19 Action Plan that, among other things, requires vaccination for health care workers in hospitals, nursing facilities, and other institutions that receive Medicare and Medicaid reimbursement. Compliance with the vaccination mandate may increase operating costs or affect the Obligated Group’s ability to recruit and retain employees. Failure to comply with the vaccination mandate may result in exclusion from the Medicare or Medicaid programs. For a discussion of federal vaccination mandates, see “FAILURE TO COMPLY WITH OTHER GOVERNMENTAL LAWS AND REGULATIONS COULD RESULT IN SUBSTANTIAL FINES OR PENALTIES — Environmental, Occupational, and Other Health and Safety Laws and Requirements” below.

It is generally expected that the overall impact of the COVID-19 pandemic on the U.S. economy will continue to be broad based and materially adverse. The full impact of the COVID-19 pandemic on the operations and financial condition of the Obligated Group cannot be fully determined at this time due to the evolving nature of the pandemic, including uncertainties relating to its duration and severity, and the future actions of governmental authorities to contain or mitigate its impact, though such impact could be material and adverse.

Operational Disruption. The COVID-19 pandemic has affected the Obligated Group’s ability to conduct normal business operations and, as a result, the operations, financial condition and financial performance of the Obligated Group has been, and may continue to be, materially adversely affected. As with nearly all industries and companies, the Obligated Group expects to encounter further disruption in its
operations as a result of COVID-19. As the COVID-19 pandemic continues and new variants emerge or the COVID-19 pandemic increases in severity or experiences intermittent surges, the number and acuity of patients may vary significantly from time to time and the Obligated Group’s ability to conduct its operations and the cost of its operations may be materially adversely affected.

At times during the COVID-19 pandemic, health care providers have cancelled or delayed non-essential appointments and procedures in response to the direction or guidance of national, state and local public health agencies, including the U.S. Department of Health and Human Services Centers for Medicare & Medicaid Services ("CMS") and the State of California. Additionally, many state and local governments implemented mitigation measures including “stay at home” or “shelter in place” orders, the suspension of elective surgeries and other non-emergency medical services, and the limitation or closure of school systems and certain business activities in an effort to slow the spread of COVID-19. Re-implementation of certain mitigation measures and restrictions has occurred in some states due to spikes in COVID-19 cases and hospitalizations. Mitigation measures may continue to have an adverse impact on the operations and financial position of health care provider systems due to increased costs, potential reduction in overall patient volume and shifts in payor mix. It cannot be predicted whether progression of the COVID-19 pandemic will require that similar or new restrictions be implemented in the future. Even if vaccinations and/or sustained public health measures help reduce COVID-19 cases in the near term, public health measures may need to be sustained for prolonged periods of time to be effective in controlling and reducing the transmission of COVID-19.

The treatment of COVID-19 or another highly contagious disease at the Obligated Group’s facilities, as well as governmental and commercial entity responses to the COVID-19 pandemic and resulting economic conditions, may adversely affect the Obligated Group’s operations and financial performance in various ways, including but not limited to (1) an overburdening of facilities, (2) a quarantine, temporary shutdown, or diversion of patients, (3) a disruption in the production or supply of pharmaceuticals, medical supplies and protective equipment and increases in the costs of such products, (4) professional or non-professional staff shortages or illnesses, (5) an increase in overhead costs due to additional costs incurred related to adjustments to the use of various facilities and to staffing during the pandemic, including overtime wages, mandated sick pay, and the use of more expensive contract staff to provide care, (6) significantly delayed payments from third-party payors, (7) increased numbers of professional liability lawsuits, (8) a larger number of uninsured patients due to increased unemployment rates, or (9) reduced patient volumes and operating revenues due to unaffected individuals deferring elective procedures or otherwise avoiding medical treatment.

Economic and Market Disruption. The COVID-19 pandemic has affected, and is expected to continue to affect state, national, and global economies. Additionally, it has resulted in volatility in the United States and global financial markets, and at times, significant realized and unrealized losses in investment portfolios. Financial results, generally, and liquidity, in particular, may be materially diminished. Access to capital markets may be hindered and costs of borrowing may increase as a result.

Governmental Relief. A variety of federal efforts have been initiated in response to the economic disruption caused by the COVID-19 pandemic. On March 13, 2020 President Trump declared a “national emergency” under both the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, which allowed access to disaster relief funds to address the COVID-19 pandemic and related economic dislocation, and the National Emergencies Act, which allowed the U.S. Department of Health and Human Services ("DHHS") to waive certain guidelines related to federal health care programs, including Medicare and Medicaid, to address the COVID-19 pandemic. The U.S. Congress followed by passing a series of federal relief packages to address the COVID-19 crisis, including (1) the Coronavirus Preparedness and
Response Supplemental Appropriations Act of 2020 ("CPRSAA"), (2) the Families First Coronavirus Response Act ("FFA"), (3) the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), (4) Paycheck Protection Program and Health Care Enhancement Act ("Enhancement Act"), (5) the COVID-19 response and relief portions of the Consolidated Appropriations Act, 2021 ("2021 Appropriations Act"), and (6) the American Rescue Plan Act ("American Rescue Plan" and together with collectively, the CPRSAA, FFA, CARES Act, Enhancement Act and 2021 Appropriations Act the "COVID-19 Relief Acts"). The COVID-19 Relief Acts were largely designed to help fund COVID-19 testing, tracing, and treatment and to provide economic relief and other support for individuals and businesses, including hospitals and other health care providers. COVID-19 Relief Act measures that may alleviate some of the financial strain on hospitals and other health care providers include, among others: (1) a $178 billion “Public Health and Social Services Emergency Fund” to reimburse eligible health care providers for “health care related expenses or lost revenues that are attributable to coronavirus” ("Provider Relief Fund"), (2) an increase in the Federal Medicaid Assistance Percentage for state Medicaid programs, and (3) various other Medicare and Medicaid policy changes that temporarily boost Medicare and Medicaid reimbursement or provide for additional flexibility in patient care during the COVID-19 emergency period. The timing, adequacy and other ultimate effects of the COVID-19 Relief Acts, or other federal or state stimulus relief programs on the Obligated Group, or the economy generally, cannot be predicted at this time. Although the federal government may consider future COVID-19 emergency response and relief legislation, the content and passage of any such legislation is uncertain. See “MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE — Impact of COVID-19 and Recovery” in APPENDIX A hereto for a discussion of COVID-19 relief obtained by the Obligated Group to date.

The acceptance of funds from certain COVID-19 stimulus programs, including the Provider Relief Fund, is conditioned on eligibility and the acceptance of terms and conditions, and may be subject to other guidelines or requirements that may change from time to time. Additional guidance or clarifications concerning COVID-19 stimulus programs, including reporting, recordkeeping and repayment requirements, may be announced from time to time. Failure to comply with such guidelines or requirements could result in recoupment, False Claims Act liability, or other penalty or sanction.

Recognition of Provider Relief Funds. All Provider Relief Fund recipients must attest to the Provider Relief Fund “Terms and Conditions”, which among other things, require the submission and maintenance of documentation to substantiate that relief funds were used for allowable expenses. To be an allowable expense under the Provider Relief Fund, the funds must have been used to prevent, prepare for and respond to COVID-19. All allowable expenses need to be supported by adequate documentation in accordance with the PRF Reporting Instructions (described below) issued by DHHS and the burden of proof is on the provider to ensure that documentation is maintained. Payments in excess of health care related expenses or lost revenue attributable to COVID-19 must be repaid. DHHS has reserved the right to audit Provider Relief Fund recipients to ensure that this requirement is met and collect any Provider Relief Fund amounts that were made in error or exceed lost revenue or increased expenses due to COVID-19. Failure to comply with the Provider Relief Fund Terms and Conditions may be grounds for recoupment or other penalties or sanctions.

DHHS has issued reporting requirements regarding the use of Provider Relief Fund distributions ("PRF Reporting Instructions"). Such PRF Reporting instructions have been revised or superseded several times and DHHS may release revised or additional Provider Relief Fund requirements or guidance in the future. Any future change to the formula for calculating allowable expenses set forth in the PRF Reporting Instructions will affect future reporting requirements and could have a potentially significant impact on whether a health care provider must repay a portion of its Provider Relief Fund payments. If unable to attest to or comply with current or future Terms and Conditions, the Obligated Group’s ability to retain
some or all of the distributions received may be impacted. See “MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE — Impact of COVID-19 and Recovery” in APPENDIX A hereto.

AN ECONOMIC DOWNTURN OR OTHER UNFAVORABLE ECONOMIC CONDITIONS COULD NEGATIVELY IMPACT FINANCIAL CONDITION

The U.S. economy is unpredictable. Economic downturns and other unfavorable economic conditions have previously impacted the health care industry and health care providers’ business and financial condition, and as described above, the COVID-19 pandemic has and continues to adversely impact the U.S. economy. If general economic conditions worsen as a result of the COVID-19 pandemic and/or other causes, the Obligated Group may not be able to sustain future operating margin, and its liquidity and ability to repay outstanding debt, including debt service on the Certificates, may be adversely affected. Broad economic factors—such as inflation, unemployment rates or instabilities in consumer demand and consumer spending—could affect the Obligated Group’s volumes and its ability to collect outstanding receivables. Other economic conditions that from time to time may adversely affect Obligated Group revenues and expenses, and consequently, its ability to make payments on Obligation No. 12 and Obligation No. 13, include but are not limited to: (1) an inability to access financial markets on acceptable terms at a desired time, (2) increased business failures and consumer and business bankruptcies, (3) federal and state budget challenges resulting in reduced or delayed Medicare and Medicaid reimbursement, (4) a reduction in the demand for health care services or patient decisions to postpone or cancel elective and non-emergency health care procedures, (5) increased malpractice, casualty and other insurance expenses, (6) reduced availability or affordability of health insurance, (7) a shortage of physician, nursing, or other professional personnel, (8) a shortage of medical supplies and critical care unit beds caused by the COVID-19 pandemic or other pandemic, (9) increased operating costs, (10) a reduction in the receipt of grants and charitable contributions, (11) unfavorable demographic developments in the Obligated Group’s service areas, (12) unavailability of liquidity during periods of economic stress caused by delayed reimbursement or payment, or increased costs of liquidity facilities, or (13) increased competition from other health care institutions. See “MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE — Impact of COVID-19 and Recovery” in APPENDIX A hereto.

HEALTH CARE REFORM LAWS OR CHALLENGES TO THE AFFORDABLE CARE ACT COULD NEGATIVELY IMPACT FINANCIAL CONDITION

General. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the “Affordable Care Act” or “ACA”), has significantly changed, and continues to change, how health care services are covered, delivered, and financed in the United States. The primary goal of the ACA—extending health coverage to millions of uninsured legal U.S. residents—has taken place through a combination of private sector health insurance reforms and Medicaid program expansion (discussed below). To fund Medicaid expansion, the ACA includes a broad array of quality improvement programs, cost-efficiency incentives, and enhanced fraud and abuse enforcement measures, each designed to generate savings within the Medicare and Medicaid programs. Additionally, the ACA created health insurance exchanges—competitive markets for individuals and small employers to purchase health insurance—and financial programs designed to encourage insurance companies to offer plans on the health insurance exchanges.

Implementation of the ACA has been politically controversial. Since its enactment, the ACA has faced a stream of opposition from Republican lawmakers calling for its repeal and/or replacement, along with a string of lawsuits challenging various aspects of the law. To date, the ACA has survived three major Supreme Court challenges and no bills wholly repealing the ACA have passed both chambers of Congress.
However, a tax reform bill passed in late 2017 (the “Tax Cuts and Jobs Act of 2017”) that effectively eliminated a key provision of the ACA – a tax penalty associated with failing to maintain health coverage (the “Individual Mandate Tax Penalty”) by reducing the penalty to zero dollars effective 2019. New legal or legislative challenges to the ACA may occur in the future.

In addition to actual and possible legislative changes or legal challenges, executive branch actions and policies could impact the viability of the ACA. For example, executive branch action has the potential to significantly impact the ACA insurance exchange market by causing a reduction in the number of plans available on the health insurance exchanges and/or an increase in insurance premiums. President Biden has taken, and is expected to continue to undertake, executive actions that will strengthen and build on the ACA and may reverse certain policies of the prior administration that are seen as undermining the ACA.

Management cannot predict the likelihood of any future ACA repeal bills or other health care reform bills becoming law, or the subsequent effects of any such legislative actions, legal decisions, or current or future executive actions, though such effects could materially impact the Obligated Group’s business or financial condition. In particular, any legal, legislative or executive action that (1) reduces federal health care program spending, (2) increases the number of individuals without health insurance, (3) reduces the number of people seeking health care, or (4) otherwise significantly alters the health care delivery system or insurance markets could have a material adverse effect on the Obligated Group’s business or financial condition.

The majority of the ACA remains law. Certain key provisions of the law are briefly described below:

Private Health Insurance Coverage Expansion/Insurance Market Reforms. As originally drafted, the ACA’s Individual Mandate Tax Penalty (discussed above) required most Americans to maintain “minimum essential” health insurance coverage or pay a yearly tax penalty to the federal government. Non-exempt uninsured individuals were expected to satisfy the mandate by purchasing insurance from a private company or through a “health insurance exchange.” ACA health insurance exchanges are government-established organizations that provide competitive markets for buying health insurance by offering individuals and small employers a choice of different health plans, certifying plans that participate, and providing information to help consumers better understand their options. The Tax Cuts and Jobs Act of 2017 effectively eliminated the Individual Mandate Tax Penalty by reducing the penalty to zero dollars effective 2019. While the effect of the elimination of the Individual Mandate Tax Penalty is uncertain, it has been predicted that it will result in fewer healthy individuals purchasing insurance (through the exchanges or otherwise) and increase the number of uninsured individuals.

The effect of the health insurance exchange market on the reimbursement rates paid by health insurers, and accordingly on health care providers’ business or financial condition, cannot be predicted. The health insurance exchanges may have a positive impact for health care facilities to the extent they increase the number of individuals with health insurance. Conversely, health insurance exchanges may have a negative financial impact on health care providers to the extent (1) insurance plans purchased on the exchanges reimburse providers at lower rates or (2) high-deductible plans offered on the exchanges become more prevalent and lead to lower inpatient volumes as patients choose to forgo medical treatment. As many participating insurance companies have sustained financial losses and either ceased offering plans on the health insurance exchanges or increased their premiums, it is unclear whether the exchanges will continue to be a viable mechanism for the provision of health insurance.
The ACA also includes an “employer mandate.” The “employer mandate” provisions require the imposition of penalties on employers having 50 or more employees that do not offer qualifying health insurance coverage to those working 30 or more hours per week. The ACA also established a number of other health insurance market reforms, including bans on lifetime limits and pre-existing condition exclusions, new benefit mandates, and increased dependent coverage (until the age of 26).

Management cannot predict the future of the health insurance markets or the effects of current and future health reform efforts on such markets, though such effects may materially affect the Obligated Group’s business or financial condition.

Medicaid Expansion. Another key provision of the ACA is the expansion of Medicaid coverage. Prior to the passage of the ACA, the Medicaid program offered federal funding to states to assist limited categories of low-income individuals (including children, pregnant women, the blind and the disabled) in obtaining medical care. The ACA permits states to expand Medicaid program eligibility to virtually all individuals under 65 years old with incomes up to 138% of the federal poverty level, and provides enhanced federal funding to states that opt to expand. There is no deadline for a state to undertake expansion and qualify for the enhanced federal funding available under the ACA. For states that choose not to participate in the federally funded Medicaid expansion, the net positive effect of ACA reforms has been significantly reduced. California has expanded Medicaid in accordance with the ACA.

Spending Reductions. The ACA contains a number of provisions designed to significantly reduce Medicare and Medicaid program spending, including: (1) negative adjustments to the “market basket” updates for Medicare’s inpatient, outpatient, long-term acute and inpatient rehabilitation prospective payment systems, and (2) reductions to Medicare and Medicaid disproportionate share hospital (“DSH”) payments. Any reductions to reimbursement under the Medicare and Medicaid programs could adversely affect the Obligated Group’s business or financial condition to the extent such reductions are not offset by increased revenues from providing care to previously uninsured individuals.

Quality Improvement and Clinical Integration Initiatives. The ACA mandated the creation of a number of payment reform measures designed to incentivize or penalize hospitals based on quality, efficiency and clinical integration measures and authorizes the Center for Medicare & Medicaid Innovation within CMS to develop and test new payment methodologies designed to improve quality of care and lower costs. Current programs include (1) the “Hospital Readmission Reduction Program,” which reduces Medicare payments by specified percentages to hospitals with excess or preventable hospital admissions based on historical discharge data, (2) the “Hospital Value-Based Purchasing Program,” which imposes an across-the-board reduction in inpatient reimbursement and then reallocates and redistributes those funds to hospitals based on quality and patient experience measures, and (3) the “Hospital-Acquired Condition Reduction Program,” which negatively adjusts payments to applicable hospitals that rank in the worst-performing quartile for risk-adjusted hospital-acquired condition measures. Other ACA provisions encourage the creation of new health care delivery programs, such as the Medicare Shared Savings Program—a program offering providers the opportunity to create accountable care organizations (“ACOs”) that can share in the cost savings they achieve for the Medicare program if certain quality metrics are met. The outcomes of these projects and programs, including their effect on payments to providers and financial performance, cannot be predicted. See also “INDUSTRY TREND TOWARDS ALTERNATIVE PAYMENT MODELS AND CLINICALLY INTEGRATED DELIVERY SYSTEMS MAY CARRY REGULATORY RISK AND NEGATIVELY AFFECT REVENUES” below.

Fraud and Abuse Enforcement Enhancements. In an attempt to reduce unnecessary health care spending, the ACA includes a number of provisions aimed at combating fraud and abuse within the
Medicare and Medicaid programs. Such provisions provide increased federal funding to fight health care fraud and abuse, provide government agencies with additional enforcement tools and investigation flexibility, facilitate cooperation between agencies by establishing mechanisms for information sharing, and enhance criminal and administrative penalties for non-compliance with the federal fraud and abuse laws (e.g., the Anti-Kickback Statute, the Stark Law and the False Claims Act, each as defined and discussed below).

**Full Impact of ACA Difficult to Predict.** It is difficult to predict the full impact of the ACA on the Obligated Group’s future revenues and operations at this time due to uncertainty regarding a number of material factors, including: (1) the number of uninsured individuals to ultimately obtain and retain insurance coverage, (2) the percentage of any newly insured patients covered by Medicaid versus a commercial plan, (3) the pace at which insurance coverage expands, (4) changes in delivery system models and the corresponding changes in reimbursement rates and methods, (5) the percentage of individuals in the exchanges who select the high-deductible plans, (6) the extent to which the enhanced program integrity and fraud and abuse provisions lead to a greater number of civil or criminal actions, (7) the extent to which the ACA tightens health insurers’ profits, causing the plans to reduce reimbursement rates, (8) the extent of lost revenues, if any, resulting from ACA quality initiatives, (9) the success of any clinical integration efforts or programs in which the Obligated Group participates, and (10) changes in executive-branch policy implementing provisions of the ACA.

**OBLIGATED GROUP IS DEPENDENT UPON THIRD-PARTY PAYOR REIMBURSEMENT AND COULD BE ADVERSELY AFFECTED BY REIMBURSEMENT REDUCTIONS, DELAYS, OR FAILURE TO NEGOTIATE FAVORABLE CONTRACTS**

Medicare and Medicaid Reimbursement. Generally, the Medicare program is the federally funded government health insurance program for individuals over 65 regardless of income and individuals with permanent disabilities or with end-stage renal disease. The Medicaid program (known as “Medi-Cal” in California) is the joint federal and state health insurance program that, together with the Children’s Health Insurance Program (“CHIP”), provides health coverage to certain low-income individuals and children and individuals with disabilities. The Obligated Group is highly dependent on the receipt of reimbursement from the Medicare and Medicaid programs and could be adversely affected by changes to federal or state policy or funding relating to these programs. See “HISTORICAL FINANCIAL INFORMATION – Sources of Patient Revenue” in APPENDIX A hereto.

Government health care programs may make payments to the Obligated Group in amounts that do not reflect the direct and indirect costs to the Obligated Group in providing services to patients. Health care providers have been and continue to be affected significantly by changes made in the last several years to federal and state health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of this statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs. In addition to ongoing and future payment reform measures resulting from the ACA and other health care reform efforts, the Medicare and Medicaid programs are subject to: (1) statutory and regulatory changes, administrative rulings, interpretations and determinations concerning patient eligibility requirements, funding levels, and the method of calculating payments or reimbursement rates, (2) requirements for utilization review, and (3) federal and state funding restrictions and challenges, including as exacerbated by the COVID-19 pandemic. Any of these factors could materially decrease payments from these government programs in the future, as well as affect the cost of providing services to patients and the timing of reimbursement. Any resulting material adverse effect to the Obligated Group’s business or financial condition could be exacerbated if management is not able to effectively manage operating costs.
**Children’s Health Insurance Program.** CHIP is a joint federal and state program that provides health coverage to uninsured children in families with incomes too high to qualify for Medicaid, but too low to afford private coverage. CMS administers CHIP, but each state creates its own program based upon minimum federal guidelines. Each state must periodically submit its CHIP plan to CMS for review to determine if it meets federal requirements. If a state does not meet the federal requirements it can lose its federal funding for the program. From time to time the federal government may seek to expand or contract the CHIP program. Federal legislation has extended CHIP funding and authorization through federal fiscal year 2027. When any CHIP funding or authorization expires there can be no assurance that such funding or authorization will be reestablished at either a state or federal level, or that professional facility reimbursement rates will not subsequently be amended in an effort to manage costs. If CHIP is not extended or if it is extended with reduced funding, the financial condition and financial performance of children’s health care providers could be materially affected.

**Federal and State Budget Challenges.** The effect of future government health care funding or federal or state deficit policy changes on the Obligated Group’s business or financial condition is unpredictable. If reimbursement rates paid by governmental payors are reduced or if the scope of services covered by governmental payors is limited, there could be a material adverse effect on the Obligated Group’s business or financial condition.

**Medicare Sequestration.** Past federal legislation and policy aimed at federal deficit reduction have resulted in across the board federal program spending reductions, including a yearly 2% reduction in Medicare reimbursement rates (known as “Medicare sequestration”) required by the Budget Control Act of 2011. Federal spending resulting from the American Rescue Plan Act of 2021, triggered another statutory sequester – the “Pay-As-You-Go” or “PAYGO” sequester, which requires a $36 billion reduction in Medicare spending for federal fiscal year 2022. Although Congress waived the PAYGO sequestration for federal fiscal year 2022, the PAYGO sequestration may be triggered in future years. Further, with no long-term resolution in place for federal deficit reduction, Medicare and Medicaid reimbursement may continue to be targets for interim and long-term federal spending reduction efforts. It is possible that Congress could act to extend or increase Medicare and Medicaid spending reductions in the future and such actions could have a material adverse effect on the Obligated Group’s business or financial condition.

**Federal Debt Limit.** The federal government is subject to a debt “ceiling” established by Congress. In the past several years political disputes concerning authorization of a federal debt ceiling increase have led to shutdowns of substantial portions of the federal government and other federal budget authorization delays have occurred. Federal budget delays and federal government shutdowns are unpredictable and may occur in the future. Failure by Congress to increase the federal debt ceiling, federal budget authorization delays, federal government shutdowns, or other political challenges may cause Medicare or Medicaid reimbursements to be further reduced or paid late, which may have a material adverse effect on the Obligated Group’s business or financial condition.

**State Budgets.** Many states face budgetary challenges that have resulted, and likely will continue to result, in reduced Medicaid funding levels to hospitals and other health care providers. Because most states are required to operate with balanced budgets, and the Medicaid program is generally a significant portion of a state’s budget, states can be expected to adopt or consider adopting future legislation designed to reduce or freeze Medicaid expenditures. In addition, some states delay issuing Medicaid payments to providers to manage state expenditures. Continuing pressure on state budgets (including as caused or exacerbated by the COVID-19 pandemic), state budget authorization delays, and other factors could result in future reductions to Medicaid payments, payment delays or additional taxes on health care providers. In addition, executive branch efforts or Congressional proposals to cap the federal share of Medicaid
expenditures or “block grant” the Medicaid program would further shift rising cost risk to the states, exacerbating state budget challenges, and potentially resulting in decreased payments to providers or a reduction in the services covered by Medicaid. Each of these situations may have a material adverse effect on a provider’s business or financial condition.

**Conditions of Participation.** CMS develops certain health and safety standards known as Conditions of Participation and Conditions for Coverage (collectively, “Conditions of Participation”) that health care facilities must meet in order to begin and continue participating in the Medicare and Medicaid programs. CMS is responsible for ensuring that health care facilities meet these regulatory Conditions of Participation. Facilities accredited by CMS-approved accrediting organizations, such as The Joint Commission, are deemed to meet the Conditions of Participation. Failure to maintain accreditation or to otherwise comply with the Conditions of Participation could materially adversely affect the financial condition of the Obligated Group.

**Site-Neutral Reimbursement.** Medicare services performed at off-campus hospital outpatient departments (“HOPDs”) have traditionally been reimbursed under the Medicare Hospital Outpatient Prospective Payment System (“OPPS”), while services performed in freestanding clinics (e.g. free standing ambulatory surgery centers or physician offices) have been reimbursed at the lower Medicare Physician Fee Schedule rate. In 2017, Congress mandated a “site-neutral” reimbursement policy to reduce payment discrepancies for identical services performed at HOPDs opened or acquired after November 2, 2015 and other facilities. Pursuant to the 2019 OPPS final rule, CMS implemented a policy expanding the site neutral payment policy to “grandfathered” HOPDs (HOPDs opened or acquired before November 2, 2015) as well. Although the American Hospital Association and others have challenged the expansion of the site-neutral payment policy, a federal appeals court has ruled that CMS may apply the site-neutral payment policy to the grandfathered HOPDs and the U.S. Supreme Court has declined to hear an appeal of that ruling. Implementation of a site-neutral payment policy for grandfathered HOPDs is likely to have a significant financial impact on hospitals in the form of reduced OPPS payments.

**Medicare and Medicaid Audits.** Providers that participate in the federal health care programs, such as Medicare and Medicaid, are subject from time to time to audits and other investigations relating to various aspects of their operations and billing practices, as well as to retroactive audit adjustments with respect to reimbursements claimed under these programs. Medicare and Medicaid regulations also provide for withholding reimbursement payments in certain circumstances. New billing rules and reporting requirements for which there is no clear guidance from federal or state agencies could result in claims submissions being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medicaid program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal health programs.

**Disproportionate Share Hospital Payments.** Medicare and Medicaid provide additional payments to hospitals that serve a disproportionate share of certain low-income and uninsured individuals. The Obligated Group has qualified for disproportionate share hospital (“DSH”) payments in the past, but there can be no assurance that it will qualify for DSH status in the future. While the ACA would have substantially reduced Medicare and Medicaid payments to disproportionate share hospitals, the 2021 Appropriations Act delayed cuts to disproportionate share hospital payments that were scheduled to go into effect through fiscal year 2023 and added cuts for fiscal years 2024 through 2027. There can be no assurance that payments to disproportionate share hospitals will not be further decreased or eliminated. Loss or reduction of funding for the DSH program could adversely affect the Obligated Group.
340B Drug Pricing Program. Hospitals that participate in the prescription drug discount program established under Section 340B of the federal Public Health Service Act (the “340B Program”) are able to purchase certain outpatient drugs for patients at a reduced cost. Manufacturers must offer 340B discounts to covered entities to have their drugs covered under Medicaid. Effective January 1, 2018, HHS imposed large cuts on such discounts. After the American Hospital Association (“AHA”) and others challenged the legality of such cuts in federal court, the U.S. Supreme Court ruled in AHA’s favor, finding that HHS improperly lowered drug reimbursement payments to 340B hospitals and clinics. Despite this favorable legal result, Congressional and administrative efforts may continue to be made, seeking to tighten 340B Program eligibility requirements, reduce the scope of the program, or reduce related payments. Future legal, legislative or administrative changes to the 340B Program that result in a loss of 340B eligibility, or further decrease 340B Program drug discounts, could have a material adverse effect on the Obligated Group. In addition, the rules and regulations applicable to participation in the 340B Program are technical, complex, and numerous. Failure to comply with the 340B Program requirements or rules could result in exclusion from the 340B Program thus significantly increasing costs for drugs as well as creating a repayment obligation, which in either case could have a material adverse effect on the operations or financial condition of the Obligated Group.

Medi-Cal. The California Department of Health Care Services (“DHCS”) administers Medi-Cal and other related programs such as the Private Hospital Supplemental Fund discussed above. Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed primarily at prospectively determined rates per diagnosis. From time to time, DHCS or the California legislature may change policies relating to Medicaid eligibility, services, and reimbursement. Any reductions in eligibility, covered services, or reimbursement rates could have a material adverse effect on the operations or financial condition of the Obligated Group. Examples of state health care reimbursement policies and programs that may affect Medicaid reimbursement are described below.

State Medicaid Managed Care Programs. Certain states, including California, have transitioned all or a portion of their state Medicaid programs to Medicaid managed care programs. Medicaid managed care provides for the delivery of Medicaid health benefits and additional services through contracted arrangements between state Medicaid agencies and managed care organizations that accept a set per member per month (capitation payment) payment for these services. Providers serving Medicaid managed care beneficiaries may be reimbursed at a rate which does not adequately reflect the cost of care provided and may experience increased administrative burdens.

State Medicaid Waivers; Supplemental and Directed Payments. California has previously entered into, and may in the future enter into, one or more “State Medicaid Waivers” with the federal government. A State Medicaid Waiver is a request that the federal government waive certain Medicaid program requirements so that the state can test new ways to deliver or pay for care in its Medicaid program. Hospitals may receive a material amount of supplemental payments or enhanced reimbursement through State Medicaid Waiver programs. Management cannot predict whether California will apply for any new State Medicaid Waivers in the future, whether its existing State Medicaid Waivers will be rescinded or allowed to expire without extension, or whether any such event will materially adversely affect the business or financial condition of the Obligated Group. Any loss or reduction of supplemental or enhanced funding received through a State Medicaid Waiver program could adversely affect the Obligated Group.

State Provider Fee Programs. Certain states, including California, have created programs that impose a fee or tax on health care providers, the proceeds of which are intended to be used as a mechanism to generate new in-state funds that can be matched with federal funds so that the state receives additional federal Medicaid funding. In many cases, the cost of the tax is paid back to providers through an increase
in the Medicaid reimbursement rate for their patient services. Congress has considered proposals to limit
the use of provider taxes. This would restrict states’ ability to generate increased federal matching funds
for Medicaid, shifting additional costs to states. If California were not able to find additional funds to
replace provider tax funding with other state sources, limits on provider taxes could result in Medi-Cal
program cuts. If any applicable California provider fee program or other supplemental reimbursement
mechanisms or programs are discontinued, or are continued but with reduced funding, the financial
condition and financial performance of health care providers receiving a net gain from such programs could
be materially affected.

Managed Care Plans and Other Commercial Payors. The Obligated Group also derives a large
percentage of its revenue from commercial third-party payors. See “HISTORICAL FINANCIAL
INFORMATION—Sources of Patient Revenue” in APPENDIX A hereto. Accordingly, the Obligated Group’s
ability to negotiate and renew contracts on competitive terms with commercial insurers significantly affects
the Obligated Group’s revenues and operating results. The Obligated Group’s business or financial
condition could be adversely affected if (1) it is unable to enter into and maintain commercial insurance
contracts, including managed care contracts, on acceptable terms, (2) it experiences material reductions in
the contracted rates from commercial insurers, or (3) it has difficulty collecting from commercial payors.
Additionally, commercial third-party payors are increasingly attempting to control health care costs through
increased utilization reviews, greater enrollment in managed care programs, such as HMOs and PPOs, and
directly contracting with hospitals to provide services on a discounted basis. The trend toward
consolidation among private managed care payors tends to increase their bargaining power over prices and
fee structures. Other health care providers, including some with greater financial resources, greater
geographic coverage or a wider range of services, may compete with the Obligated Group for opportunities
with commercial insurers. For example, competitors may negotiate exclusivity provisions with certain
managed care plans or otherwise restrict the ability of managed care companies to contract with Obligated
Group providers. There can be no assurance that the Obligated Group will be able to continue to attract
commercial third-party payors, or that it will be able to contract with such payors on advantageous terms.

LOSS OF ACCREDITATION, LICENSURE OR OTHER APPROVAL MAY NEGATIVELY AFFECT OPERATIONS OR
FINANCIAL CONDITION

The Obligated Group’s medical facilities are subject to periodic review by licensing and/or
accrediting organizations to determine compliance with various legal, regulatory, professional and private
licensing, certification, accreditation standards or requirements. These standards or requirements include
but are not limited to the requirements of state licensing agencies, CMS, CMS-approved accrediting
organizations (e.g. The Joint Commission), and private payors. Renewal and continuance of certain of
these licenses, certifications, and accreditations are based on inspections, surveys, audits, investigations or
other reviews, some of which may require or include affirmative action or response by the Members of the
Obligated Group. Loss of accreditation or licensure could impair the ability of the Obligated Group to
operate all or a portion of its health care facilities and have a material adverse impact on the Obligated
Group’s business or financial condition. See “OTHER INFORMATION — Accreditations, Certifications and
Memberships” in APPENDIX A hereto.

Seismic Safety Act Compliance. In California, seismic safety standards mandated under the
California Seismic Safety Act may require that hospital facilities be substantially modified, replaced or
closed. Nearly all hospitals in California are affected. Estimated construction costs are substantial and
actual costs of compliance may exceed estimates. The statutory deadlines for seismic safety standard
compliance depend on each hospital building’s structural performance category. Failure to comply with
the California Seismic Safety Act requirements by the statutory deadlines could have a material adverse
impact on the Obligated Group’s business or financial condition. For information concerning the status of
the Obligated Group’s seismic compliance, see “FACILITIES, SERVICES AND MEDICAL STAFF —
Conformance with the State’s Seismic Standards” in APPENDIX A hereto.

FAILURE TO COMPLY WITH COMPLEX AND EVOLVING HEALTH CARE REGULATIONS COULD RESULT IN
SUBSTANTIAL LIABILITIES OR PENALTIES

General. Health care businesses are subject to complex and extensive federal, state and local
regulation relating to, among other things, licensure, contractual arrangements, conduct of operations,
privacy of patient information, ownership of facilities, physician relationships, addition of facilities and
services and reimbursement rates for services. Under these laws, individuals and organizations can be
penalized for a wide variety of conduct, including submitting claims for services that are not provided, that
are billed in a manner other than as actually provided, that are not medically necessary, that are provided
by an improper person or accompanied by an illegal inducement to utilize or refrain from utilizing a service
or product, or that are billed in a manner that does not otherwise comply with applicable legal requirements.
The laws governing fraud and abuse apply to all individuals and health care enterprises with which a health
system does business, including other hospitals, home health agencies, long term care entities, infusion and
pharmaceutical providers, insurers, health maintenance organizations, preferred provider organizations,
third-party administrators, physicians, physician groups, and physician practice management companies.
The laws, rules and regulations are often evolving, and in many cases, the industry has little or no regulatory
or judicial interpretation for guidance. Additionally, both federal and state government agencies continue
to pursue heightened and coordinated civil and criminal enforcement efforts against perceived violations of
health care laws. In the current regulatory climate, it is anticipated that many hospitals and physician groups
may be subject to an audit, investigation or other enforcement action regarding a potential health care fraud
law violation.

As discussed in more detail below, violations may result in the imposition of severe consequences,
including exclusion of the provider from participation in the Medicare and Medicaid programs, criminal
fines, civil monetary penalties, payment suspension pending resolution of fraud allegations, and in the case
of individuals, imprisonment. The cost of defending such an action, the time and management attention
consumed, and the facts of a case may dictate settlement. Regardless of the merits of a particular case, a
health care provider could experience materially adverse settlement costs, as well as materially adverse
costs associated with implementation of any settlement agreement or corporate integrity agreement.
Prolonged and publicized investigations could also damage the reputation and business of a health care
provider, regardless of outcome.

In addition, because health care regulations are particularly complex, such regulations may be
interpreted and enforced in a manner that is inconsistent with a health care provider’s interpretation. The
Obligated Group’s business or financial condition could be harmed if a Member is alleged to have violated
existing health care regulations or fails to comply with new or changed health care regulations. Furthermore,
because the health care industry is one of the largest industries in the United States, it continues to attract much legislative interest and public attention. Further changes in the health care
regulatory framework increasing burdens on health care providers could have a material adverse effect on
the Obligated Group’s business or financial condition.

Certain key health care regulations are briefly discussed below:

Civil Monetary Penalties Law. The federal Civil Monetary Penalties Law authorizes civil monetary
penalties for a variety of health care fraud violations (such as Anti-Kickback Statute, Stark Law, False
Claims Act, or EMTALA violations, each discussed below). Different penalty amounts and assessments may be authorized based on the type of violation, and the amounts are adjusted yearly for inflation. Civil monetary penalties also may include an assessment of up to three times the amount claimed for each item or service, or up to three times the amount of the remuneration offered, paid, solicited or received. Actions subject to penalties include: (1) presenting fraudulent claims, (2) presenting claims for which a provider knows Medicare will not pay, (3) “gainsharing” arrangements that induce providers to limit or reduce medically necessary services, (4) providing benefits to Medicare or Medicaid beneficiaries that a provider knows or should know are likely to induce the beneficiaries to choose the provider for their care, and (5) violating the Anti-Kickback Statute or the Stark Law. Health care providers may be found liable under the Civil Monetary Penalties Law even when they did not have actual knowledge of the action being improper; knowingly undertaking the action is sufficient. Civil monetary penalties can add up quickly and result in multi-million-dollar judgments or settlements, materially adversely impacting a provider’s business or financial condition.

**Anti-Kickback Statute.** The federal Anti-Kickback Statute is a felony criminal law that prohibits the knowing and willful payment of “remuneration” to induce or reward patient referrals or the generation of business involving any item or service payable by the federal health care programs (e.g., drugs, supplies, or health care services for Medicare or Medicaid patients). Actual knowledge and specific intent to violate the statute are not required. Remuneration includes anything of value and can take many forms besides cash (e.g., free rent, free hotel stays and meals, and excessive compensation for medical directorships or consultancies). The Anti-Kickback Statute applies to both the payors of kickbacks (those who offer or pay remuneration) as well as the recipients of kickbacks (those who solicit or receive remuneration). Anti-Kickback “safe harbors” described in federal regulations protect certain payment and business arrangements that could otherwise implicate the Anti-Kickback Statute from criminal and civil prosecution (e.g., personal services and rental agreements, investments in ambulatory surgical centers, and payments to bona fide employees), but in order to be protected by a safe harbor, an arrangement must squarely meet each safe harbor element. Failure to squarely meet all the required elements of a safe harbor does not necessarily render the conduct or business arrangement illegal under the Anti-Kickback Statute. Rather, such conduct or business arrangement may be subject to increased regulatory scrutiny. Criminal penalties, civil monetary penalties and administrative sanctions for violating the Anti-Kickback Statute include substantial fines per kickback plus monetary penalties up to three times the amount of damages sustained by the government, jail terms, and exclusion from participation in the federal health care programs. In addition, under the ACA, submission of a claim for services or items generated in violation of the Anti-Kickback Statute constitutes a false or fraudulent claim subject to additional penalties under the federal False Claims Act (discussed below).

In addition to the federal Anti-Kickback Statute, many states, including California, have anti-kickback and/or fee-splitting statutes designed to prohibit inducements or improper remuneration for the referral of patients. In some cases, state statutes are broader or carry larger fines than corresponding federal law. Any sanctions imposed as a result of an Anti-Kickback Statute or similar state law violation could have a material adverse effect on the Obligated Group’s business or financial condition.

**Stark Law.** The federal Physician Self-Referral Law (commonly known as the Stark Law) prohibits a physician from referring Medicare or Medicaid patients for certain “designated health services” to an entity in which the physician (or an immediate family member) has an ownership/investment interest or with which the physician has a compensation arrangement, unless an exception applies. “Designated health services” includes clinical laboratory, physical therapy, radiology, inpatient and outpatient hospital, and other services. Importantly, the Stark Law is a strict liability statute, meaning that one can violate the law without any intent to do so. Statutory and regulatory exceptions to the Stark Law’s referral prohibition can
protect a broad range of common financial relationships between referring physicians and a designated health services provider such as a hospital (e.g., employment relationships, relocation arrangements, leases, group practice arrangements, or medical directorships). If the relationship does not squarely meet the elements of a Stark Law exception, it will result in violation of the law. A Stark Law violation may result in a denial of Medicare reimbursement, required refunds to patients and the Medicare program, substantial civil monetary penalties and exclusion from participation in the Medicare and Medicaid programs and other federal programs. In addition, the submission of a claim for services or items generated in violation of the Stark Law may constitute a false or fraudulent claim, and thus create additional penalties under the federal False Claims Act.

Many states, including California, have adopted self-referral prohibitions similar to the Stark Law, some of which may be broader in scope and carry larger fines than the federal statute. Any sanctions imposed on the Obligated Group as a result of a Stark Law or similar state law violation could have a material adverse effect on the Obligated Group’s business or financial condition.

The Obligated Group’s participation in and development of joint ventures and other financial relationships with physicians could be adversely affected by the Stark Law and similar state laws. Moreover, new payment structures promoted by the ACA, such as ACOs and other arrangements involving combinations of hospitals, physicians and other providers who share payment savings, could potentially be seen as implicating the Anti-Kickback Statute or the Stark Law.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark Law violations and seek a reduction in potential refund obligations. The Obligated Group Members may make self-disclosures under this program as appropriate from time to time. Any submission pursuant to the self-disclosure program does not waive or limit the ability of the DHHS Office of the Inspector General or the U.S. Department of Justice to seek or prosecute violations of the Anti-Kickback Law or impose civil monetary penalties.

False Claims Act and Whistleblower Lawsuits. The federal False Claims Act ("FCA") prohibits knowingly submitting a false or fraudulent claim to the federal government (e.g., the Medicare or Medicaid programs) for reimbursement. Because the term “knowingly” is defined broadly under the law to include not only actual knowledge but also deliberate ignorance or reckless disregard of the facts, the FCA can be used to punish a wide range of conduct. Accordingly, FCA investigations and cases have become common in the health care industry and may cover a range of activity from intentionally inflated billings to highly technical billing infractions, to allegations of unnecessary or inadequate care. Additionally, a claim connected to a Stark Law or Anti-Kickback Statute violation may be deemed a false claim in violation of the FCA. The ACA further expanded the reach of the FCA to include, among other things, failure to report and return known overpayments within statutory limits. Filing false claims in violation of the FCA can result in civil fines, substantial per-claim penalties and monetary penalties up to three times the amount of damages sustained by the government (e.g., the amount falsely billed to the Medicare or Medicaid program). These fines can add up quickly and result in multimillion-dollar judgments or settlements. Additionally, violation or alleged violation of the FCA can result in payment suspension pending investigation, the imposition of corporate integrity agreements, or exclusion from Medicare and Medicaid.

The qui tam or “whistleblower” provisions of the FCA allow a private individual to bring an FCA action on behalf of the government. As part of the resolution of a qui tam case, the whistleblower may share in a portion of any FCA settlement or judgment. Qui tam actions can also be filed under certain state false claims laws if the fraud involves Medicaid funds or funding from state and local agencies. In recent years, there has been a large increase in the number of FCA qui tam actions. Because qui tam lawsuits are
kept under seal while the federal government evaluates whether the United States will join the lawsuit, it is difficult to determine whether any such actions are pending.

The Deficit Reduction Act provides financial incentives to states that pass similar false claims statutes or amend existing false claims statutes that track the FCA more closely with regard to penalties and rewards to *qui tam* relators. Accordingly, many states have passed similar false claims statutes, some of which expand the prohibition against false claims submitted to non-government third-party payors. No assurance can be given that an FCA action will not be filed and a violation found. Any sanctions imposed as a result of an FCA or state false claims law violation could have a material adverse effect on the Obligated Group’s business or financial condition.

**HIPAA and State Privacy Laws.** The Health Insurance Portability and Accountability Act, as amended by the Health Information Technology for Economic and Clinical Health Act and as it may further be amended from time to time, and its implementing regulations (collectively, “*HIPAA*”) provide data privacy and security requirements for safeguarding medical information. *HIPAA*, which applies to health plans, health care clearinghouses, and health care providers who conduct the standard health care transactions electronically, includes both (1) a “privacy rule,” which sets forth national standards for the protection of individually identifiable protected health information (“*PHI*”), and (2) a “security rule,” which sets forth national standards for protecting the confidentiality, integrity, and availability of electronic *PHI*. Failure to comply with *HIPAA* can result in both criminal and civil fines and penalties. Mandatory breach notification and reporting requirements increase the risk of government enforcement as well as class action lawsuits, especially if large numbers of individuals are affected by a breach. Additionally, states may have privacy or consumer protection laws that are broader than *HIPAA* and, unlike *HIPAA*, authorize a private right of action. Any sanctions imposed as a result of a *HIPAA* or state privacy law violation could have a material adverse effect on the Obligated Group’s business or financial condition.

Health care providers are increasingly analyzing or partnering or contracting with others to analyze health care “Big Data,” i.e., datasets of such volume or breadth that cannot be analyzed using ordinary database software tools. In particular, large hospitals may analyze health care Big Data for operational purposes such as to measure value based performance. Hospitals may also enter into research collaborations with technology companies to analyze health care Big Data for research purposes. Although *HIPAA* permits the use and disclosure of individually identifiable health information held by covered entities for operational or research purposes, both the covered entity and its business associate must comply with stringent privacy and security requirements which, if not met, can lead to significant exposure both with respect to the government and civil litigants. For example, to share individually identifiable health information with a research partner, a hospital may choose to de-identify such information which would be a permissible use or disclosure under *HIPAA*. However, the failure to properly de-identify could result in significant financial exposure particularly due to the volume of patients affected. The Obligated Group Members may use or share health care Big Data for operational and research purposes and due to the complexity of *HIPAA*’s requirements, non-compliance in this context in the future could result in a material adverse impact.

**EMTALA.** The federal Emergency Medical Treatment and Active Labor Act (“*EMTALA*”) requires that hospitals and other facilities with emergency departments provide “appropriate medical screening” to patients who come to the emergency department to determine if an emergency medical condition exists regardless of a patient’s ability to pay. If an emergency medical condition exists, the facility must stabilize the patient within its capabilities and only transfer the patient once stabilized. Failure to comply with *EMTALA* may result in the imposition of civil monetary penalties or a hospital’s exclusion from the Medicare and/or Medicaid programs. *EMTALA* and its implementing regulations are complex, and a hospital’s compliance is dependent, in part, upon the volition of medical staff members. Over the
last few years, the federal government has increased its enforcement of EMTALA. Any failure of a Member of the Obligated Group to meet its responsibilities under EMTALA could have a material adverse effect on the Obligated Group’s business or financial condition.

**Price Transparency Rule.** On January 1, 2021, the CMS Price Transparency Rule went into effect, requiring hospitals to publish gross charges, discounted cash prices, payor-specific negotiated charges, and minimum and maximum negotiated charges for all items and services provided by the hospital. Hospitals are also required to publish a consumer-friendly list of standard charges for at least 300 shoppable services—generally, non-emergency services that patients can schedule in advance. Failure to comply with these requirements may result in daily monetary penalties to the hospital. The Price Transparency Rule could result in further legislative or regulatory action to restrain hospital rates or charges. Additionally, the availability of competitively sensitive rate information among hospitals, insurers, and employer sponsors of group health plans could lead to market distortions and possible anti-competitive effects that could impact hospital rates and revenue. The publication of hospital standard charges, including negotiated charges, could also result in changes to patient choice that may negatively impact the Obligated Group. Accordingly, compliance with the CMS Price Transparency Rule could have a material adverse effect upon the future financial condition and operations of the Obligated Group.

**Surprise Billing.** The 2021 Appropriations Act included legislation designed to address surprise medical bills that patients may incur as a result of receiving services from an out-of-network provider at an in-network facility or having to receive emergency medical care at an out-of-network facility (the “No Surprises Act”). Effective January 1, 2022, the No Surprises Act establishes federal protections against surprise medical bills that could arise from out-of-network emergency care, certain ancillary services provided by out-of-network providers at in-network facilities, and for out-of-network care provided at in-network facilities without the patient’s informed consent. Patients are required to pay only the in-network cost-sharing amount, which will be determined through a formula established by the DHHS Secretary and will count toward the patient’s health plan deductible and out-of-pocket cost-sharing limits. Providers are not permitted to balance bill patients beyond this cost-sharing amount. Both providers and health plans are required to inform patients about these protections. Violations could result in state enforcement action or substantial federal civil monetary penalties. Although surprise billing laws are important for protecting patients, they can reduce the bargaining power of hospitals with payers and ultimately have a negative impact on hospitals. The ultimate effect of the No Surprises Act on the Obligated Group’s operations and financial condition cannot be predicted at this time.

**Failure to Comply with Other Governmental Laws and Regulations Could Result in Substantial Fines or Penalties**

In addition to laws and regulations specific to the health care industry, as discussed above, the Obligated Group Members are subject to a wide variety of laws and regulations in the ordinary course of business. Violation of these laws or regulations could result in various penalties, demands, or substantial defense costs, any of which could have a material adverse effect on the Obligated Group’s business or financial condition. Some of these laws are briefly described below.

**Environmental, Occupational, and Other Health and Safety Laws and Requirements.** Typical health care facility operations include the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, health care facility operations are particularly susceptible to the practical, financial and legal risks associated with compliance with environmental and occupational health and safety laws and regulations. These risks may result in (1) damage to individuals, property or the environment,
(2) the interruption of operations and/or increased operating costs, (3) legal liability, damages, injunctions, citations, or fines, and (4) investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions. Such actions may not be covered by insurance. There is no assurance that the Obligated Group will not encounter such problems in the future and such problems may result in material adverse consequences to the Obligated Group’s business or financial condition.

In addition to the environmental, health and safety laws and regulations that typically apply to the Obligated Group, the Occupational Health and Safety Administration (“OSHA”) announced that it will issue a final rule to protect health care workers from COVID-19 hazards and that the agency will be focusing its inspection and enforcement efforts on industries with higher COVID-19 risk, such as health care facilities and assisted living facilities. In addition, President Biden has implemented a COVID-19 Action Plan in an effort to increase the number of workers in both the general and health care industries who receive vaccinations against COVID-19. In November 2021, DHHS issued a rule that requires facilities to ensure that their non-exempt staff are vaccinated against COVID-19 in order receive Medicare and Medicaid funding (the “Healthcare Sector Mandate”). Around the same time, OSHA issued an Emergency Temporary Standard requiring that private employers with one hundred or more employees require that their employees get the COVID-19 vaccine or undergo weekly testing (the “OSHA ETS”). States and private parties filed legal challenges to both the Healthcare Sector Mandate and the OSHA ETS. On January 13, 2022, the United States Supreme Court upheld the Healthcare Sector Mandate but stayed the OSHA ETS on the grounds that OSHA lacked the authority to issue the broad mandate in its current form. [OSHA has responded that it intends to finalize a permanent COVID-19 Healthcare Standard for health care settings, but the timing and issuance of such permanent standard is unknown.] [Update, if applicable, prior to printing.] Compliance with the Healthcare Sector Mandate and any future COVID-19-related occupational health and safety laws may increase operating costs or affect the Obligated Group’s ability to recruit and retain employees.

Antitrust Laws. Enforcement of the antitrust laws against health care providers is becoming more common and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations and joint venture, merger, affiliation and acquisition activities. The Federal Trade Commission has publicly acknowledged increasing enforcement action in the areas of hospital and physician combinations, and enforcement in the health care sector continues to be active. The most common areas for potential liability are joint activities among providers with respect to payor contracting, medical staff credentialing, hospital and physician mergers and acquisitions, and allegations of exclusion of competitors from market opportunities. From time to time, an Obligated Group Member may be involved in joint contracting activity or affiliation discussions with other hospitals or providers. Violation of the antitrust laws can result in criminal and civil enforcement by federal and state agencies and large financial damages. At various times, a Member of the Obligated Group may be subject to an investigation by a governmental agency charged with the enforcement of the antitrust laws or may be subject to administrative or judicial action by a federal or state agency or a private party. Liability may be substantial, depending on the facts and circumstances of each case and may have a material adverse impact on the Obligated Group. See also “VARIOUS EMPLOYER-RELATED RISKS COULD ADVERSELY AFFECT OPERATIONS AND FINANCIAL CONDITION—Medical Staff Disputes” below.

Professional Liability Lawsuits and Other Claims. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against hospitals and other health care providers. Litigation also arises from the corporate and business activities of hospitals, from a hospital’s status as an employer, as a result of medical staff or provider network peer review, or the denial of medical staff or provider network privileges. Professional and general liability insurance does not cover all claims and is subject to policy limitations. If the aggregate limit of any of the Obligated Group’s professional and
general liability policies is exhausted, in whole or in part, it could deplete or reduce the limits available to pay any other material claims applicable to that policy period. Any losses not covered by or in excess of the amounts maintained under insurance policies will be funded from the Obligated Group’s working capital. Furthermore, there is no assurance that hospitals will be able to maintain the coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future. Additionally, one or more of the Obligated Group’s insurance carriers could become insolvent and unable to fulfill obligations to defend, pay or reimburse the Obligated Group when those obligations become due. In that case, or if payments of claims exceed Management’s estimates, or are not covered by the Obligated Group’s insurance, it could have a material adverse effect on the Obligated Group’s business or financial condition.

INDUSTRY TREND TOWARDS ALTERNATIVE PAYMENT MODELS AND CLINICALLY INTEGRATED DELIVERY SYSTEMS CARRIES REGULATORY RISKS AND MAY NEGATIVELY AFFECT REVENUES

It is generally expected that alternative payment models, such as value-based purchasing programs that condition reimbursement on patient outcome measures, will become more common and involve a higher percentage of reimbursement amounts. As discussed above, the ACA contains a number of health care delivery reform measures intended to promote value-based purchasing in the federal health care programs and commercial third-party payors are increasingly implementing value-based purchasing and other alternative payment models. This rapid volume-to-value reimbursement shift could present financial challenges for the Obligated Group and the employed or contracted clinicians with whom the Obligated Group partners to deliver care, particularly to the extent they are unable to meet targeted measures.

To keep pace with industry trends, many hospitals and health systems are pursuing clinical integration strategies or other joint ventures with physician groups in order to offer an integrated package of health care services to patients and health care insurers. These integration strategies may take many forms, including (1) ACOs—organizations typically composed of a hospital and certain other health care providers that coordinate patient care and tie payment for that care to the achievement of quality metrics, (2) management service organizations—organizations that provide physicians or physician groups with a combination of financial and managed care contracting services, office and equipment, office personnel and management information systems, (3) physician-hospital organizations—organizations that are typically jointly owned or controlled by a hospital and physician group for the purpose of managed care contracting, implementation and monitoring, and (4) hospital-based clinics or medical practice foundations, which may purchase and operate physician practices as well as provide all administrative services to physicians. Often the start-up capitalization for such structures, as well as operational deficits, is funded by the sponsoring hospital or health system. Depending on the size and organizational characteristics of a particular strategy, these capital requirements may be substantial. In some cases, the sponsoring hospital or health system may be asked to provide a financial guarantee for the debt of a related entity that is carrying out an integrated delivery strategy. In certain of these structures, the sponsoring hospital or health system may have an ongoing financial commitment to support operating deficits, which may be substantial on an annual or aggregate basis. In addition, participating physicians may seek their independence for a variety of reasons, thus putting the hospital or health system’s investment at risk and potentially reducing its managed care leverage and/or overall utilization. If an integrated delivery system structure is not functionally successful, it may produce materially adverse results that are counterproductive to some or all of its goals.

Joint venture and integrated delivery strategies carry with them the potential for legal or regulatory risks in varying degrees. Such ventures or strategies may call into question compliance with the federal fraud and abuse laws, relevant antitrust laws and federal or state tax exemption. Such risks will turn on the facts specific to the implementation, operation or future modification of any integrated delivery system. In
addition, depending on the type of structure, a wide range of governmental billing and other issues may arise, including questions of the authorization of the entity to bill for or on behalf of the physicians involved. Other related legal and regulatory risks may arise, including employment, pension and benefits, requirements for risk-bearing organizations and corporate practice of medicine, particularly in the current atmosphere of frequent and often unpredictable changes in federal and state legal requirements regarding health care and medical practice. The ability of hospitals or health systems to conduct integrated physician operations may also be altered or eliminated in the future by legal or regulatory interpretation or changes or by health care fraud enforcement. Nevertheless, there can be no assurance that the Obligated Group’s joint ventures or integrated delivery models will not be subject to investigation or otherwise found to be in violation of applicable health care rules and regulations.

COMPETITION AND CONSUMER TRANSPARENCY COULD ADVERSELY AFFECT PATIENT VOLUME AND FINANCIAL CONDITION

The health care business is highly competitive. Competition for patients among hospitals and other health care providers has intensified in recent years. Increased competition from this wide variety of sources (e.g., specialty hospitals, other hospitals and health care systems, outpatient facilities, long-term care and skilled nursing services facilities, physician groups, urgent care clinics, telehealth providers, and home health providers) may adversely affect the utilization and revenues of hospitals. If the Obligated Group Members’ competitors are better able to attract patients, deliver services, recruit physicians, expand or integrate services, or obtain favorable managed care contracts at their facilities, the Obligated Group may experience an overall decline in patient volumes and revenues. Additionally, quality measures and future trends toward clinical transparency may have an unanticipated impact on the Obligated Group’s competitive position and patient volumes. Health care consumers are now able to access hospital performance data on quality measures and patient satisfaction, as well as standard charges for services, to compare competing providers. If any of the Obligated Group’s health care facilities achieve poor results (or results that are lower than competitors’) on quality measures or patient satisfaction surveys, or if its standard charges are higher than their competitors’, the Obligated Group may attract fewer patients. The CMS Price Transparency Rule (discussed above) which requires the publication of hospital standard charges (including negotiated charges), could also result in market distortion or changes to patient choice that may negatively impact the Obligated Group.

Future competition may arise from new sources not currently anticipated or prevalent. Additionally, scientific and technological advances, new procedures, drugs and devices, preventive medicine, and a trend toward outpatient or home health care delivery may reduce utilization and revenues of hospitals in the future or otherwise lead the way to new avenues of competition. Efforts to reduce hospital readmissions and costs in the overall care continuum will further the use of these new and changing technologies.

COSTLY INFORMATION TECHNOLOGY OR MEDICAL TECHNOLOGY IMPROVEMENTS MAY BE NECESSARY TO REMAIN COMPETITIVE

The ability to adequately price and bill health care services and to accurately report financial results depends on the operability of a health care provider’s electronic medical record (“EMR”) and other information technology (“IT”) systems and the integrity of the data stored within such systems. EMR and IT systems require an ongoing commitment of significant resources to maintain and protect existing systems and to develop IT systems to keep pace with evolving regulatory standards and technological advances. There can be no assurance that such efforts will be successful or that operational or regulatory issues will not arise. From time to time, providers may choose to change or upgrade EMR systems. Such transfer can
be costly and have the potential to disrupt operations and create regulatory issues such as data privacy issues. The implementation of new EMR or IT cannot be predicted but may have a material adverse effect on the Obligated Group’s business or financial condition.

Medical discoveries and advancements, including the development of new drugs, devices or procedures, may add significantly to the Obligated Group’s cost of providing services, requiring costly new medical technology with no or little offsetting increase in federal reimbursement. Moreover, medical advancements also may render obsolete certain health care services, thereby either increasing expense or reducing revenues. The ability of the Obligated Group to purchase and offer new medical technology and equipment may be subject to the availability of such equipment, specialists trained in such equipment or technology, governmental approval, or the ability to finance such acquisitions or operations. The implementation of new medical technology cannot be predicted but may have a material adverse effect on the Obligated Group’s business or financial condition.

FUTURE ACQUISITIONS, DIVESTITURES OR OTHER AFFILIATIONS COULD REQUIRE SIGNIFICANT CAPITAL EXPENDITURES AND CHANGE THE COMPOSITION OF THE OBLIGATED GROUP

The Members of the Obligated Group evaluate and selectively pursue potential merger and affiliation candidates on a consistent basis as part of their overall strategic planning and development process. As a result, it is possible that the entities and assets that currently make up the Obligated Group may change from time to time, subject to provisions in the Master Indenture and other financing documents that apply to merger, sale, disposition or purchase of assets or with respect to joining or withdrawing from the Obligated Group. See “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — MASTER INDENTURE — Membership in Obligated Group” and “— Merger, Consolidation, Sale or Conveyance” in APPENDIX C-1 hereto. In addition to relationships with hospitals and physicians, the Obligated Group may pursue investments, ventures, affiliations, development and acquisitions of other health care-related entities. These may include providers of home health care, long-term care entities or operations, pharmaceutical providers and other health care enterprises that support the overall operations and mission of the Obligated Group. In addition, the Members of the Obligated Group may pursue transactions with third-party payors, third-party administrators and other health insurance-related businesses. Because of the rapid integration occurring throughout the health care industry, the Obligated Group will consider such arrangements where there is a perceived strategic or operational benefit. All such initiatives may involve significant capital commitments and/or capital or operating risk. There can be no assurance that these projects, if pursued, will not have a material adverse effect on the Obligated Group’s business or financial condition.

UNANTICIPATED CATASTROPHIC EVENTS COULD ADVERSELY AFFECT OPERATIONS AND REVENUES

Public Health Emergencies. The occurrence of a public health emergency or crisis, including a global pandemic or national or localized outbreak of an infectious disease such as COVID-19, Ebola, Zika, or H1N1, may put stress on the capacity of part or all of the facilities of the Obligated Group, could require resources be diverted from one Obligated Group operation to another, or could otherwise impair the operations of part or all of the facilities of the Obligated Group. See “COVID-19 PANDEMIC HAS CAUSED ECONOMIC TURMOIL AND COULD NEGATIVELY IMPACT FINANCIAL CONDITION” above.

Cyber Attacks. The Obligated Group relies on IT systems, including EMRs, to operate its facilities and process, transmit and store sensitive and confidential data, including the PHI and personally identifiable information of its patients and employees, and proprietary and confidential business performance data. Although the Obligated Group routinely monitors and tests the security of its IT systems and
processes and implements appropriate security measures, IT systems are often subject to computer viruses, cyber-attacks by hackers (such as malware or ransomware attacks), or breaches due to employee error or malfeasance. Cyber-attacks specifically targeted at health systems have been occurring more frequently, and in some recent cases, have resulted in the disruption or temporary cessation of facility operations. DHHS, the Federal Bureau of Investigation, and the Cybersecurity and Infrastructure Agency have expressed concern that U.S. hospitals and health care providers are a prime target for cyber-attacks and that such cyber-attacks could result in data theft and disruption of health care services.

Any breach or cyber-attack that limits a health facility’s ability to access its IT systems or otherwise compromises patient data could result in the disruption or cessation of facility operations, patient safety issues, the loss of patient records, the payment of significant ransoms, negative press, and/or the imposition of substantial fines or penalties for violation of HIPAA or similar state privacy laws (as discussed above), any of which may adversely affect a health facility’s business or financial condition. The Obligated Group’s IT security measures may not be sufficient to prevent cyber-attacks in the future. As cybersecurity threats continue to evolve, the Obligated Group may not be able to anticipate certain attack methods in order to implement effective protective measures and may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. Additionally, the Obligated Group’s IT systems routinely interface with and rely on third-party systems that are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider could harm the Obligated Group’s business or financial condition.

Facility Damage. Health care facilities are highly dependent on the condition and functionality of their physical facilities. Damage from natural or manmade disasters, severe weather, deliberate acts of destruction, terrorism, or various facility system failures may have a material adverse impact on the Obligated Group’s business or financial condition, especially if insurance is inadequate to cover resulting property and business losses. In addition, climate change may increase the frequency or severity of extreme weather events and other natural disasters. No assurance is given as to the continuation of existing insurance coverage, which, among other things, may not be available at a reasonable cost in the future.

Many hospitals in California, including certain Obligated Group facilities, are situated in close proximity to active earthquake faults, and at any given time, may be in or near an active wildfire zone. A significant earthquake or wildfire in the region could have a material adverse effect on the Obligated Group and could result in material damage and temporary or permanent cessation of operations at one or more of the Obligated Group’s facilities. [The Obligated Group does not generally carry earthquake or wildfire insurance coverage.] See “OTHER INFORMATION — Insurance and Risk Management” in APPENDIX A hereto.

VARIOUS EMPLOYER-RELATED RISKS COULD ADVERSELY AFFECT OPERATIONS AND FINANCIAL CONDITION

Employee Relationships/Retention. The Obligated Group employs a large number and wide diversity of employees. The ability of the Members of the Obligated Group to employ and retain qualified employees, including any senior management, and their ability to maintain good relations with such employees and employee unions (if any) affect the quality of services to patients and the financial condition of the Members of the Obligated Group. The ability to employ and retain employees has been complicated by the COVID-19 pandemic, as described below under “Staffing Shortages.” See also, “FAILURE TO COMPLY WITH OTHER GOVERNMENTAL LAWS AND REGULATIONS COULD RESULT IN SUBSTANTIAL FINES
Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of collective bargaining agreements upon expiration may result in significant cost increases. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue, and facility reputation. Certain Obligated Group employees are represented by labor unions. See “OTHER INFORMATION — Employees and Labor Relations” in APPENDIX A hereto.

**Staffing Shortages.** The health care industry occasionally experiences a scarcity of clinical and non-clinical personnel, including primary care physicians, nurses, respiratory therapists, radiation technicians, pharmacists, and other trained health care technicians. A current and significant nationwide nursing shortage is particularly affecting the health care sector and various studies have predicted that nurse shortages will become more acute over time as practitioners retire and patient volume exceeds the growth in new practitioners. Additionally, the COVID-19 pandemic has exacerbated staffing shortages, with practitioners and other personnel deciding to leave the health care sector, or retire early. In addition, a number of COVID-19 related factors, such as fear of workplace exposure, vaccination mandates, and difficulties in finding child and elder care, has led to a tight job market, generally. Many employers in a variety of sectors continue to struggle to fill available positions. Personnel shortages may result in increased costs and lost revenues due to the need to hire agency staffing personnel at higher rates, increased compensation levels to retain and recruit personnel, and the inability to operate at capacity due to the staff shortage, any of which could materially adversely impact the Obligated Group’s business or financial condition. See also, “FAILURE TO COMPLY WITH OTHER GOVERNMENTAL LAWS AND REGULATIONS COULD RESULT IN SUBSTANTIAL FINES OR PENALTIES - Environmental, Occupational, and Other Health and Safety Laws and Requirements” above.

**Physician Relationships and Supply.** The success of the Obligated Group’s business depends in significant part on the number, quality, specialties, and admitting and scheduling practices of admitting physicians. Accordingly, it is essential to the Obligated Group’s ongoing business that it attract an appropriate number of quality physicians in the specialties required to support its services and that it maintain good relationships with those physicians. A shortage of physicians, especially in primary care, could become a significant issue for health providers in the coming years. In addition, reductions in Medicare or Medicaid reimbursement could lead to physicians relocating their practices in communities with fewer Medicare and Medicaid enrollees. The Obligated Group may be required to invest additional resources for recruiting and retaining physicians or may be required to increase the percentage of employed physicians in order to continue serving the growing population base and maintain market share.

The Members of the Obligated Group may contract with physician organizations (such as independent physician associations and physician-hospital organizations) to arrange for the provision of physician and ancillary services. Because many such physician organizations are separate legal entities with their own goals, obligations to shareholders, financial status, and personnel, there are risks involved in contracting with physician organizations.

In recruiting, retaining and otherwise contracting with physicians, the Obligated Group will be limited by rules promulgated by federal regulation. Failure to comply with IRS rules regarding appropriate physician recruitment could result in loss of tax-exempt status, and failure to structure a contractual arrangement with a physician to comply with the Anti-Kickback Statute or Stark Law (as discussed above) could result in substantial fines, penalties, or exclusion from the federal health care programs. Additionally,
future laws, regulations or policies may have a material adverse impact on the ability of the Members of the Obligated Group to recruit and retain physicians.

Pension and Benefit Fund Liabilities. The Obligated Group may incur significant expenses to fund pension and benefit plans for employees and former employees and to fund required workers’ compensation benefits. Funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes. In addition, to the extent investment returns are lower than anticipated or losses on investments occur, the Obligated Group may also be required to make additional deposits in connection with pension fund liabilities. See “MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE — Pension and Deferred Compensation Plans” in APPENDIX A hereto.

Wage and Hour Class Actions and Litigation. Federal law and many states impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar requirements. Large employers with complex workforces are susceptible to actual and alleged violations of these standards. In recent years, there has been a proliferation of “wage and hour” lawsuits, often in the form of large, sometimes multistate, class actions. For large employers such as hospitals and health systems, such class actions can involve multimillion-dollar claims, judgments and/or settlements. A major class action decided or settled adversely to any Obligated Group Member could have a material adverse impact on the Obligated Group’s business or financial condition.

Medical Staff Disputes. The primary relationship between a hospital and physicians who practice in it is through the hospital’s organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, including antitrust claims, some of which could result in substantial uninsured damages to a hospital. Furthermore, from time to time, actions or decisions of hospital management may cause unrest among certain physician groups or members of the medical staff, which could result in legal or other actions, such as resignation from the medical staff. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties.

IRS Reclassification of Independent Contractors to Employees. Health care facilities, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. The IRS has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. If the IRS were to reclassify a significant number of hospital independent contractors (e.g., physician medical directors) as employees, back taxes and penalties could be material.

THE HEALTH CARE ENVIRONMENT CARRIES CERTAIN RISKS

As a nonprofit tax-exempt organization, Palomar Medical Group is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for charitable purposes. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a health care organization. An increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are in compliance with the regulatory requirements for nonprofit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead, in many cases,
are examinations of core business practices of the health care organizations. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property and sales taxation and others. These challenges and questions have come from a variety of sources, including state attorneys general, the IRS, labor unions, Congress, state legislatures, local school boards, other federal and state agencies and patients and in a variety of forums, including hearings, audits and litigation. For example, Senate and House committees have proposed reform in the area of tax-exempt organizations as a part of health care reform generally. The effect of any examinations, investigations, or challenges to the nonprofit status of health care organizations cannot be predicted. There can be no assurance that future changes in state or federal laws and regulations will not adversely affect the operations and financial condition of the Obligated Group.

**Litigation Related to Billing and Collection Practices.** Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. The cases are proceeding in various courts around the country with inconsistent results. While it is not possible to make general predictions, some hospitals and health systems have incurred substantial costs in defending such lawsuits and in some cases have entered into substantial settlements.

**Charity Care/Community Benefit.** Public hospitals often treat large numbers of low-income patients who are unable to pay in full for their medical care. General economic conditions that affect the number of employed individuals who have health coverage affect the ability of patients to pay for health care. The COVID-19 pandemic and its impact on economic conditions could increase the number of uninsured and low-income patients. Similarly, changes in government policy, which may result in coverage exclusions under local, county, state and federal health care programs, may increase the frequency and severity of charity care treatment by such hospitals and other providers.

**OBLIGATED GROUP FINANCINGS CARRY CERTAIN RISKS**

The obligations of the Members of the Obligated Group under the Master Indenture are limited to the same extent as the obligations of debtors typically affected by bankruptcy, insolvency and the application of general principles of creditors’ rights and as additionally described below. The Master Indenture permits the addition of other Members of the Obligated Group if certain conditions are met. See “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — Master Indenture — Membership in Obligated Group” and “— Withdrawal from Obligated Group” in APPENDIX C-1 hereto.

The joint and several obligations described herein of the Members of the Obligated Group to make payments of debt service on the Obligations issued pursuant to and under the Master Indenture may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization, fraudulent conveyance or similar laws affecting the enforcement of creditors’ rights and by general equitable principles or (2) such payments (a) are requested to be made with respect to payments on any Obligation (other than Obligation No. 12 and Obligation No. 13) that is issued for a purpose that is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or that is issued for the benefit of any entity other than a tax-exempt organization; (b) are requested to be made from any money or assets that are donor restricted or which are subject to a direct or express trust that does not permit the use of such money or assets for such payment; (c) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (d) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the money or assets
of any present or future Member of the Obligated Group falls within the categories referred to above cannot be determined and could be substantial. The foregoing notwithstanding, the accounts of the Members of the Obligated Group are and will continue to be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the issuance of additional Indebtedness) are satisfied.

A Member of the Obligated Group may not be required to make any payment of any Obligation or portion thereof or the recipient of such payment may be compelled to return such payment, the proceeds of which were not lent or otherwise disbursed to such Member of the Obligated Group to the extent that such payment would conflict with or would be prohibited or avoidable under applicable laws.

The application of the law relating to the enforceability of guaranties or obligations of a member of an obligated group to make debt service payments on behalf of another member of the obligated group is not amenable to an unqualified declaration of whether a transfer would be prohibited or subject to avoidance.

As a general matter, in addition to a transfer of property made with the actual intent to hinder, defraud or delay creditors, a transfer of an interest in property by an entity may be avoided if the transfer is made for less than the “reasonably equivalent value” or “fair consideration” and the transferor (1) is insolvent (e.g., is unable to pay its debts as they become due), (2) rendered insolvent by the transaction, (3) is undercapitalized (i.e., operating or about to operate without property constituting reasonably sufficient capital given its business operations) or (4) intended or expected to incur debts that it could not pay as they became due.

The lack of certainty in the treatment of transfers is attributable to several factors. First, there is no true uniform law governing fraudulent transfers. Such transfers may be avoided under Title 11 of the United States Code (the “Bankruptcy Code”), state law variants of the Uniform Fraudulent Transfer Act and its predecessor, the Uniform Fraudulent Conveyance Act, or other non-uniform statutes or common law principles. Second and more importantly, the standards for determining the reasonable equivalence of value or the fairness of consideration and the measure for determining insolvency are subjective standards resolved in the exercise of judicial discretion after engaging in a fact-intensive analysis. This subjectivity has resulted in a conflicting body of case law and a lack of certainty as to whether a given transfer would be subject to avoidance.

In addition, the Bankruptcy Code provides a means to avoid transfers of a debtor’s interests in property made on account of an antecedent debt within 90 days of the debtor filing for relief or one year if the transferee is an “insider,” if, as a result of that transfer, the transferee receives more than it would have received in a liquidation of the debtor under Chapter 7 of the Bankruptcy Code. Whether the creation of a lien or a payment made by a Member of the Obligated Group would be determined to be avoidable would be dependent on the particular circumstances surrounding the transfer.

There exists, in addition to the foregoing, common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that a nonprofit corporation has insufficient assets to carry out its stated charitable purposes or has taken some action that renders it unable to carry out its purposes. Such court action may arise on the court’s own motion or pursuant to a petition of the attorney general of a particular state or other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts with respect to Members of
the Obligated Group that are nonprofit corporations and to see to the application of their funds to their intended charitable uses.

**ENFORCEABILITY OF SECURITY INTEREST IN GROSS REVENUES MAY BE LIMITED**

The Master Indenture will be secured by the security interest in the Gross Revenues of the Obligated Group described under the heading “SECURITY FOR THE CERTIFICATES” above. The Obligated Group’s facilities are not currently pledged as security for the Certificates.

The enforceability, priority and perfection of the security interest in Gross Revenues created under the Master Indenture and the ability to receive and realize on the same may be limited by a number of factors, including, without limitation: (1) provisions prohibiting the direct payment of amounts due to health care providers from Medicaid and Medicare programs to persons other than such providers; (2) the absence of an express provision permitting assignment of receivables due under the contracts between the Members of the Obligated Group and third-party payors and present or future legal prohibitions against assignment; (3) certain judicial decisions that cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of a Member of the Obligated Group, to collect and retain accounts receivable from Medicare, Medicaid and other governmental programs; (4) commingling of proceeds of accounts receivable with other moneys of the Members of the Obligated Group not so pledged under the Master Indenture; (5) statutory liens; (6) rights arising in favor of the United States of America or any agency thereof; (7) constructive trusts or equitable or other rights impressed or conferred thereon by a federal or state court in the exercise of its equitable jurisdiction; (8) federal and state laws governing fraudulent transfers as discussed above; (9) federal bankruptcy laws that may affect the enforceability of the Master Indenture or the security interest in the Gross Revenues; (10) rights of third parties in Gross Revenues converted to cash and not in the possession of the Master Trustee; and (11) claims that might arise if appropriate financing or continuation statements or amendments of financing statements are not filed in accordance with the Uniform Commercial Code of the applicable state, as from time to time in effect.

With respect to receivables and revenues not subject to the security interest, or where such security interest was unenforceable, the Master Trustee would occupy the position of an unsecured creditor. Counsel to the Obligated Group has not provided an opinion with regard to the enforceability of the security interest on Gross Revenues of the Obligated Group where such Gross Revenues are derived from the Medicare and Medicaid programs.

See Appendix C-1 — SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — Master Indenture — Particular Covenants of the Members — Gross Revenue Fund. See also “RISKS RELATED TO GO BONDS” below.

**MASTER INDENTURE PERMITS ISSUANCE OF ADDITIONAL DEBT ON PARITY WITH OBLIGATION NO. 12 AND OBLIGATION NO. 13**

The value of the security interest in the Gross Revenues could be diluted by the issuance of additional Master Indenture Obligations on a parity with Obligation No. 12 and Obligation No. 13 in accordance with the Master Indenture or incurrence of other Indebtedness by the Obligated Group in accordance with the Master Indenture. See “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — MASTER INDENTURE — Particular Covenants of the Members — Authorization and Issuance of Master Indenture Obligations” in Appendix C-1 hereto. Pursuant to the terms of the Master Indenture, the Members of the Obligated Group may incur additional Indebtedness (including Indebtedness secured by additional Master Indenture Obligations), letters of credit, and other
third-party guarantees which are entitled to the benefits of security that does not extend to any other Debt (including Obligation No. 12 and Obligation No. 13). Such security may include liens on certain of the Obligated Group’s personal property (including Gross Revenues). All such liens are required by the Master Indenture to qualify as Permitted Liens (as defined in the Master Indenture). See “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — MASTER INDENTURE — Particular Covenants of the Members — Limitation on Indebtedness” and “— Limitation on Encumbrances” in APPENDIX C-1 hereto.

CERTAIN AMENDMENTS TO PRINCIPAL DOCUMENTS MAY ADVERSELY AFFECT SECURITY FOR THE CERTIFICATES

The rights and remedies afforded to the holders of Obligations by the Master Indenture, including, without limitation, the right to demand acceleration of Obligations (including Obligation No. 12 and Obligation No. 13) upon the occurrence of an event of default under the Master Indenture (including, without limitation, a payment default under Obligation No. 12 or Obligation No. 13), may only be initiated by the holders of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations, subject to the right of the holders of a majority in aggregate principal amount of the Obligations to direct all remedies under the Master Indenture. Upon the execution and delivery of the Certificates, the Trustee for the Certificates will be the holder of Obligation No. 12 and Obligation No. 13. See “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — MASTER INDENTURE — Events of Default and Remedies” in APPENDIX C-1 hereto.

The Master Indenture may also be amended with the consent of the holders of not less than a majority in aggregate principal amount of Outstanding Master Indenture Obligations, and the required percentage could be obtained from the Holders of Obligations other than Obligation No. 12 and/or Obligation No. 13. Such amendments could be material and could result in the modification, waiver or removal of significant covenants or restrictions. Certain amendments to the Master Indenture may also be made at the discretion of the Master Trustee but without Certificateholder consent. See “SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13 — MASTER INDENTURE — Supplements and Amendments” in APPENDIX C-1 hereto.

Certain amendments to the Trust Agreements and the Sale Agreements may be made in the discretion of the Trustee. Other amendments to the related Trust Agreement and the related Sale Agreement may be made with the prior written consent of the holders of not less than a majority of the aggregate principal amount of the Tax-Exempt Certificates or the Taxable Certificates, as applicable.

FUTURE VARIABLE RATE INDEBTEDNESS IS SUBJECT TO CERTAIN RISKS THAT COULD REDUCE ASSETS AVAILABLE TO PAY DEBT SERVICE ON THE CERTIFICATES

The Obligated Group may in the future issue or incur indebtedness bearing interest at variable rates, the interest rates on which could rise. Variable rate demand obligations may also be issued by or on behalf of the Obligated Group in the future. If such variable rate obligations are supported by liquidity agreements or remarketing agreements to provide for the payment or remarketing of such obligations or other indebtedness, the financial condition or performance of the liquidity banks and remarketing agents would affect the payment or marketability and remarketing of such variable rate obligations. If the Obligated Group were to execute any liquidity agreements, such agreements may expire prior to the last maturity dates of the applicable variable rate obligations. If the Obligated Group is unable or chooses not to extend or replace the liquidity agreements with respect to any such variable rate obligations issued on its behalf, the Obligated Group would be required to provide liquidity for the payment of any such variable rate

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obligations that are tendered by the holders thereof, and the cash reserves of the Obligated Group would be affected until such variable rate obligations are remarkeeted.

In the future, variable rate obligations may be issued on behalf of the Obligated Group that have no external dedicated liquidity. If such obligations are tendered or deemed tendered and not remarkeeted, the Obligated Group would be obligated to purchase such variable rate obligations from its own funds. The Obligated Group’s ability to provide self-liquidity for such variable rate obligations may be adversely impacted by a variety of factors, including a reduction in investment income and a lack of availability of external liquidity from revolving or other credit facilities. [The Obligated Group has no current plans for any obligations of this type.]

[Certain agreements with, or covenants with respect to, financial institutions or insurers could affect available funds]

[If Series 2006 Bonds are defeased and the 2006 Swap terminated in connection with the financing, will there be any remaining bank debt or additional bank covenants outstanding after closing? Does Assured have any particular covenants in connection with the Series 2017 revenue bonds?] ENFORCEMENT OF REMEDIES MAY BE LIMITED OR DELAYED BY BANKRUPTCY OR OTHER LAWS

The obligations of the Members of the Obligated Group under the Master Indenture and Obligation No. 12 and Obligation No. 13 are secured only by the security interest granted to the Master Trustee in the Gross Revenues of the Members of the Obligated Group. Enforcement of the remedies mentioned under the headings “Summary of the Master Indenture, Supplement No. 12 and Supplement No. 13 — Master Indenture — Events of Default and Remedies” in Appendix C-1 hereto, “Summary of the Tax-Exempt Trust Agreement, the Tax-Exempt Installment Sale Agreement and the Tax-Exempt Purchase Agreement — Trust Agreement — [Events of Default and Remedies]” in Appendix C-2 hereto and “Summary of the Taxable Trust Agreement, the Taxable Installment Sale Agreement and the Taxable Purchase Agreement — Trust Agreement — [Events of Default and Remedies]” in Appendix C-3 hereto may be limited or delayed in the event of application of federal bankruptcy laws or other laws affecting creditors’ rights and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures.

In the event a Member of the Obligated Group commences a bankruptcy case under chapter 9 or chapters 7 or 11, as applicable, the rights and remedies of the Holders would be subject to various provisions of the Bankruptcy Code. An involuntary chapter 9 case cannot be commenced against Palomar Health; only voluntary chapter 9 cases are permitted under the Bankruptcy Code. If a Member of the Obligated Group were to file a petition for relief under the Bankruptcy Code, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Member of the Obligated Group and any interest it has in its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over such property, as well as various other actions to enforce, maintain or enhance the rights of the Trustee or the Master Trustee, or to collect any amount from a Member of the Obligated Group or to enforce any obligation of a Member of the Obligated Group unless the bankruptcy court permits this activity by entering an order limiting the automatic stay. If the bankruptcy court ordered, Obligated Group property, including accounts receivable and proceeds thereof, could be used, at least temporarily, for the benefit of the bankruptcy estate despite the claims of its creditors. These restrictions may also prevent the Trustee from making payments to the Holders of the Certificates from
funds in the possession of the Trustee and may prevent the Master Trustee from making payments from funds in possession of the Master Trustee unless permission of the bankruptcy court is obtained.

The Obligated Group Members can use the Gross Revenues and proceeds thereof to pay the necessary operating expenses of the facilities from which such Gross Revenues or proceeds are derived, despite any security interest of the Master Trustee therein, but such funds might not be available to an Obligated Group Member to pay other creditors and for the financial rehabilitation of an Obligated Group Member. The rights of the Trustee and the Master Trustee to enforce their respective interests and liens could be delayed during the pendency of a chapter 9 bankruptcy proceeding.

Obligated Group Members are permitted to commingle the Gross Revenues with their other funds. If an Obligated Group Member goes into bankruptcy, the Obligated Group Member may not be required to turn over to the Master Trustee any Gross Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys. If an Obligated Group Member is in bankruptcy and has possession of Gross Revenues (whether collected before or after commencement of the bankruptcy) and if the Obligated Group Member does not voluntarily turn over such Gross Revenues to the Master Trustee, because Palomar Health is permitted to commingle the Gross Revenues with its other funds, it is not entirely clear what procedures the Master Trustee, the Trustee or the Holders of the Certificates would have to follow to attempt to obtain possession of such Gross Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

Palomar Health could file a plan for the adjustment of its debts in a chapter 9 bankruptcy proceeding, which could include provisions modifying or altering the rights of creditors generally or any class of them, secured or unsecured. In a case under chapter 9 of the Bankruptcy Code, creditors are not authorized to file a plan for the adjustment of the debts of the debtor. Any plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which conditions are that the plan shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if (with certain exceptions) creditors holding at least two-thirds in dollar amount and more than one-half in number of the claims in the class which vote to accept or reject the plan cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

In a case under the current Bankruptcy Code, an Obligated Group Member that is a nonprofit corporation could file a plan of reorganization. The plan is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against such Member of the Obligated Group and could result in the modification of rights of any class of creditors, secured or unsecured. To confirm a plan of reorganization, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan if, of those who vote, those holding more than one-half in number and two-thirds in amount vote in favor of such plan. Approval by classes of interests requires a vote in favor of the plan by two-thirds in amount. If these levels of votes are attained, those voting against the plan or not voting at all are nonetheless bound by the terms thereof. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished. If fewer than all of the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and the dissenting claims and interests would be bound thereby. For this to occur, one of the impaired classes must vote to accept the plan and the bankruptcy court must determine that the plan does not “discriminate unfairly” and is “fair and equitable” with respect to the nonconsenting class or classes. The Bankruptcy Code establishes different fair and equitable tests for secured claims and interest holders. For a plan to be confirmed, the bankruptcy court must also
determine, among other requirements, that it provides creditors with not less than would be received in the event of liquidation and is proposed in good faith, and that the debtor’s performance is feasible.

In addition, the obligation of the Obligated Group to pay principal and interest with respect to the Certificates is not secured by a lien on or security interest in any assets or revenues of the Obligated Group Members, other than the pledge under the Master Indenture on Gross Revenues, the funds on deposit in the Gross Revenue Fund and the lien on certain funds held by Trustee under the Indenture, as described in “SUMMARY OF THE TAX-EXEMPT TRUST AGREEMENT, THE TAX-EXEMPT INSTALLMENT SALE AGREEMENT AND THE TAX-EXEMPT PURCHASE AGREEMENT — Trust Agreement — Pledge and Assignment; Revenue Fund” in APPENDIX C-2 hereto and “SUMMARY OF THE TAXABLE TRUST AGREEMENT, THE TAXABLE INSTALLMENT SALE AGREEMENT AND THE TAXABLE PURCHASE AGREEMENT — Trust Agreement — Pledge and Assignment; Revenue Fund” in APPENDIX C-3 hereto. Any Gross Revenues collected after the commencement of the bankruptcy case may not secure the obligations of the Obligated Group under Obligation No. 12 or Obligation No. 13 unless it is determined that the Gross Revenues are special revenues under Section 902 of the Bankruptcy Code. For discussion of limitations on the pledge of Gross Revenues, see “BONDHOLDERS’ RISKS — Enforceability of Security Interest in Gross Revenues May Be Limited” above.

In the event of bankruptcy of any Obligated Group Member, there is no assurance that certain covenants, including tax covenants, contained in the Tax-Exempt Trust Agreement or other documents would survive. Accordingly, the Obligated Group Members could take action that would adversely affect the exclusion of interest on the Tax-Exempt Certificates from gross income for federal income tax purposes.

The various legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and laws relating to fraudulent conveyances.

INTEREST RATE SWAPS TERMINATED DURING A PERIOD OF NEGATIVE VALUE COULD NEGATIVELY IMPACT FINANCIAL CONDITION

Upon the termination of the 2006 Swap, the Obligated Group will not have any interest rate swap agreements in place but it may enter into interest rate swap agreements to hedge interest rate risk in the future. Any interest rate swap or other hedge agreement may, at any time, have a negative value to the Obligated Group. Such agreements may also be subject to early termination upon the occurrence of certain specified events. If either the Obligated Group or the counterparty terminates such an agreement when the agreement has a negative value to the Obligated Group, the Obligated Group could be obligated to make a termination payment to the counterparty in the amount of such negative value and such payment could be substantial and potentially materially adverse to Obligated Group’s financial condition.

The occurrence of a termination event or changes in the market value of such agreements could negatively or positively impact the Obligated Group’s operating results and financial condition, and such impact could be material. In the event of an early termination of a swap agreement, there can be no assurance that (1) where the swap agreement has a positive value to the Obligated Group, the Obligated Group will receive any termination payment payable to it by the respective swap counterparty, (2) where the swap agreement has a negative value to the Obligated Group, the Obligated Group will have sufficient amounts to pay a termination payment payable by them to the respective swap counterparty, and (3) in any event, the Obligated Group will be able to obtain a replacement swap agreement with comparable terms.
The Obligated Group may periodically enter into interest rate swap agreements that require it to post collateral to secure its obligations in certain circumstances. The Obligated Group’s ability to post collateral consisting of cash and securities and thereby place a lien thereon to secure its payment obligations under interest rate swap agreements is limited by the Master Indenture. If the Obligated Group is unable to secure its obligations under such interest rate swap agreement with sufficient collateral, the swap counterparty to such swap agreement may have the right to terminate the swap agreement.

CONSTRUCTION PROJECTS ARE SUBJECT TO DELAYS OR INCREASED COSTS

Construction projects, including the Project, are subject to a variety of risks including, but not limited to, delays in the issuance of necessary approvals or permits, strikes, shortages of materials, tariffs on materials, supply chain disruptions, adverse weather conditions, and general cost overruns. Cost overruns may occur due to change orders, delays in construction schedules, scarcity of building materials and labor, inflation, and other factors. Any of the foregoing could cause completion delays or the expenditure of more funds than originally allocated.

CERTIFICATE RATINGS MAY BE LOWERED OR WITHDRAWN

There can be no assurance that the ratings assigned to the Certificates at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Certificates. See “AN ECONOMIC DOWNTURN OR OTHER UNFAVORABLE ECONOMIC CONDITIONS COULD NEGATIVELY IMPACT FINANCIAL CONDITION” and “COVID-19 PANDEMIC HAS CAUSED ECONOMIC TURMOIL AND COULD NEGATIVELY IMPACT FINANCIAL CONDITION” above for a discussion of certain conditions that may cause re-evaluation of ratings by rating agencies. See also the information under the heading “RATINGS.”

THERE MAY NOT BE A SECONDARY MARKET FOR THE CERTIFICATES

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Certificates. There is presently no secondary market for the Certificates and no assurance can be given that a secondary market will develop. Consequently, investors may not be able to resell the Certificates purchased should they need or wish to do so.

MAINTENANCE OF TAX-EXEMPT STATUS IS DEPENDENT UPON COMPLIANCE WITH VARIOUS LAWS AND REGULATIONS

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Tax-Exempt Certificates, to be excludable from gross income for federal tax purposes. These requirements include limitations on the use of Tax-Exempt Certificate proceeds, limitations on the investment earnings of Tax-Exempt Certificate proceeds prior to expenditure, a requirement that certain investment earnings on certificate proceeds be paid periodically to the United States Treasury, and a requirement that Palomar Health file an information form with the IRS. Palomar Health will covenant in the Tax-Exempt Sale Agreement that it will not take any action or refrain from taking any action that would cause interest on the Tax-Exempt Certificates to be included in gross income for federal income tax purposes. Failure by Palomar Health to comply with the requirements of the Code and related regulations, rulings and policies may result in the treatment of interest on the Tax-Exempt Certificates as taxable, retroactively, to the date of issuance.
The tax-exempt status of interest on the Tax-Exempt Certificates further depends, among other
things, upon maintenance by the Members of the Obligated Group that are nonprofit corporations who own or
operate facilities financed or refinanced with the proceeds of the Tax-Exempt Certificates of their status
as organizations described in Section 501(c)(3) of the Code. The maintenance of such status is contingent
on compliance with general rules based on the Code, Treasury regulations and judicial decisions regarding
the organization and operation of tax-exempt hospitals, health systems and other facilities, including their
operation for charitable and other permissible purposes and their avoidance of transactions that may cause
their earnings or assets to inure to the benefit of private individuals. As these general principles were
developed primarily for public charities that do not conduct large-scale technical operations and business
activities, they often do not adequately address the myriad of operations and transactions entered into by a
modern health care organization. Although traditional activities of health care providers, such as medical
office building leases, have been the subject of interpretations by the IRS, many activities or categories of
activities have not been fully addressed in any official opinion, interpretation or policy of the IRS. The
interpretation of the IRS and its position on these rules as they affect the organization and operation of
health care organizations (for example, with respect to providing charity care, joint ventures, physician and
device compensation, physician recruitment and retention, etc. are constantly evolving. The IRS can
and in fact occasionally does alter or reverse its positions concerning tax-exemption issues, even concerning
long-held positions upon which tax-exempt health care organizations have relied.

In addition to violations of the Code, the IRS has asserted that tax-exempt hospitals or certain other
tax-exempt organizations that are in violation of Medicare and Medicaid regulations regarding inducement
for referrals may also be subject to revocation of their tax-exempt status. Because a wide variety of hospital
physician transactions potentially violate these broadly stated prohibitions on inducement for referrals, the
IRS has broadened the range of activities that may directly affect tax exemption, without defining
specifically how those rules will be applied. As a result, health care organizations, particularly those that
have extensive transactions with physicians, are currently subject to an increased degree of scrutiny and,
potentially, enforcement activities by the IRS. The policy position of the IRS is not necessarily indicative
of a judicial determination of the applicable issues.

Section 4958 of the Code imposes excise taxes on “excess benefit transactions” between
“disqualified persons” and tax-exempt organizations such as the Members of the Obligated Group that are
nonprofit corporations. According to the legislative history and regulations associated with Section 4958,
these excise taxes may be imposed by the IRS either in lieu of or in addition to revocation of exemption.
These intermediate sanctions may be imposed in situations in which a “disqualified person” (such as an
“insider”) engages in “excess benefit transactions” such as (1) a transaction with a tax-exempt organization
on other than a fair market value basis, (2) receipt of unreasonable compensation from a tax-exempt
organization or (3) receipt of payment in an arrangement that otherwise violates the prohibition against
private inurement. A disqualified person who benefits from an excess benefit transaction will be subject to
an excise tax equal to 25% of the amount of the excess benefit. Organization managers who participate in
the excess benefit transaction knowing it to be improper are subject to an excise tax equal to 10% of the
amount of the excess benefit, subject to a maximum penalty of $20,000 per transaction. A second penalty,
in the amount of 200% of the excess benefit, may be imposed on the disqualified person (but not upon the
organization manager) if the excess benefit is not corrected within a specified period of time. Fair market
value and reasonable compensation for tax purposes typically reflect a range rather than a specific dollar
amount, and the IRS does not rule in advance on whether a transaction results in more than fair market
value payment or more than reasonable compensation to a disqualified person. Although it is not possible
to predict what enforcement action, if any, the IRS might take related to potential excess benefit
transactions, consistent with the legislative history of Section 4958, regulations issued by the IRS indicate
that not all excess benefit transactions jeopardize exempt status. Rather, the IRS will consider all relevant
facts and circumstances, including the size and scope of the organization’s activities that further exempt purposes; the size and scope of any excess benefit transactions; whether the organization has implemented appropriate safeguards reasonably designed to prevent future excess benefit; and whether the organization has corrected, or made good faith efforts to correct, any excess benefit such as by obtaining repayment of the amount of any excess benefit.

The legislative history of Section 4958 is potentially favorable to taxpayers because it provides the IRS with a punitive option short of revoking tax-exempt status to deal with incidents of private inurement. However, the standards for tax exemption have not been changed, including the requirement that no part of the net earnings of an exempt entity inure to the benefit of any private individual. Consequently, although the IRS has only infrequently revoked the tax exemption of nonprofit health care corporations in the past, the risk of revocation remains and there can be no assurance that the IRS will not direct enforcement activities against any of the Members of the Obligated Group that are nonprofit corporations.

In certain cases, the IRS has imposed substantial monetary penalties and future charity care or public benefit obligations on tax-exempt hospitals in lieu of revoking their tax-exempt status, as well as requiring that certain transactions be altered, terminated or avoided in the future and/or requiring governance or management changes. These penalties and obligations are typically imposed on the tax-exempt hospital pursuant to a “closing agreement” with respect to the hospital’s alleged violation of Section 501(c)(3) exemption requirements. Given the uncertainty regarding how tax-exemption requirements may be applied by the IRS, Obligated Group Members that are nonprofit corporations are, and will be, at risk for incurring monetary and other liabilities imposed by the IRS through this “closing agreement” or similar process. Like certain of the other business and legal risks described herein which apply to large multihospital systems, these liabilities are probable from time to time for some systems in the nonprofit health care industry and could be substantial, in some cases involving millions of dollars, and in extreme cases could be materially adverse.

The ACA also contains requirements for tax-exempt hospitals through Section 501(r) of the Code. Although not currently subject to such requirements, Palomar Health or future Members of the Obligated Group may be subject to such requirements in the future if it becomes a tax-exempt organization.

In general, certain failures to comply with Section 501(r) requirements may be corrected. In other circumstances, an organization’s failure to meet one or more Section 501(r) requirements could endanger the organization’s Section 501(c)(3) status.

The IRS conducts audits of exempt organizations and considers a wide range of possible issues, including private inurement and private benefit, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, tax-exempt obligation financing, political contributions and unrelated business income. In addition, the IRS conducts compliance checks and correspondence audits that focus initially on limited issues, such as executive compensation, unrelated business income or community benefit. Such limited-scope reviews can be expanded in certain circumstances to include a variety of other issues. The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. Certain audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and the audited organization.

A Member of the Obligated Group that is a nonprofit corporation could be audited by the IRS. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can
differ, an audit could result in additional taxes, interest and penalties. An audit also could potentially affect the tax-exempt status of any Member of the Obligated Group that is a nonprofit corporation.

If the IRS were to find that a Member of the Obligated Group that is a nonprofit corporation has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be revoked. Loss of tax-exempt status by any Member of the Obligated Group that is a nonprofit corporation could result in loss of the exclusion from gross income of the interest on the Tax-Exempt Certificates that, in turn, could result in a default under the Tax-Exempt Trust Agreement, potentially triggering an acceleration of the Tax-Exempt Certificates. Any such event would have material adverse consequences on the future business or financial condition of the affected Members of the Obligated Group and, potentially, the Obligated Group as a whole. Additionally, the loss of federal tax-exempt status by a Member of the Obligated Group that is a nonprofit corporation could adversely affect its access to future tax-exempt financing.

As described herein under the caption “TAX MATTERS — Tax-Exempt Certificates,” failure to comply with certain legal requirements may cause the interest on the Tax-Exempt Certificates to become included in gross income of the recipients thereof for federal income tax purposes. In such event, the Tax-Exempt Certificates may be accelerated in accordance with the Tax-Exempt Trust Agreement. The Tax-Exempt Trust Agreement does not provide for the payment of any additional interest or penalty in the event the interest on the Tax-Exempt Certificates is determined to be includible in gross income for federal income tax purposes.

MISCELLANEOUS RISK FACTORS

The following factors, among others, may also adversely affect the operation of health care facilities, including the Obligated Group’s facilities, to an extent that cannot be determined at this time:

- Cost increases without corresponding increases in revenue.
- Any termination or alteration of existing agreements with individual physicians or physician groups that render services to Obligated Group patients.
- An inflationary economy.
- Any inability to obtain future governmental approvals to undertake projects necessary to remain competitive as to both rates and charges as well as to quality and scope of care.
- Laws requiring particular staffing levels at medical facilities (e.g., nurse-to-patient staffing ratios).
- State or federal imposition of higher minimum or living wages.
- The outcome of presidential or other political elections, or political or civil unrest.
- Climate change.
• The adoption of legislation or implementation of regulations establishing a national or statewide single-payer health program or that would establish national, statewide or otherwise regulated rates applicable to health care providers.

CONTINUING DISCLOSURE

Because the Certificates are not an obligation of the Authority, but represent Installment Payments payable by Palomar Health and other amounts payable by the Obligated Group Members, financial or operating data concerning the Authority is not material to an evaluation of the offering of the Certificates or to any decision to purchase, hold or sell the Certificates. Accordingly, the Authority is not providing any such information. Palomar Health, on behalf of itself and the Obligated Group, has undertaken all responsibilities for any continuing disclosure to Holders and Beneficial Owners of the Certificates, as described below, and the Authority shall have no liability to the Holders and Beneficial Owners of the Certificates, or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”).

Palomar Health, for itself and on behalf of the Obligated Group, will enter into the Continuing Disclosure Undertakings for the benefit of the related Certificateholders to provide certain information annually and quarterly and to provide notice of certain events pursuant to the requirements of the Rule. The information to be provided, together with the notices of certain enumerated events, will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”). The information to be provided on an annual and quarterly basis, the events which will be noticed on an occurrence basis and the other terms of the Continuing Disclosure Undertakings, including termination, amendment and remedies, are set forth under “FORM OF CONTINUING DISCLOSURE UNDERTAKINGS” in APPENDIX D hereto.

Failure by Palomar Health to comply with the Continuing Disclosure Undertakings will not constitute an event of default under the Master Indenture, the Trust Agreements or the Sale Agreements and Certificateholders are limited to the remedies described in the Continuing Disclosure Undertakings. See “FORM OF CONTINUING DISCLOSURE UNDERTAKINGS” in APPENDIX D hereto. Failure by Palomar Health to comply with the Continuing Disclosure Undertakings must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Certificates in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of and the market price for the Certificates.

Palomar Health has agreed to make certain continuing disclosure undertakings pursuant to the Rule and its continuing disclosure undertakings executed in connection with the issuance of certain tax-exempt obligations issued for the benefit of the Obligated Group (collectively, the “Prior Undertakings”). During the past five years, [_____________], as required by the continuing disclosure obligations under the Prior Undertakings. [15c2-12 review in process.] [All such information has been filed with the MSRB through its EMMA system. In all other respects during the past five years, Palomar Health has complied with its continuing disclosure obligations under the Prior Undertakings.]
ABSENCE OF MATERIAL LITIGATION

THE AUTHORITY

To the knowledge of the Authority, there is no material litigation pending or threatened against the Authority concerning the validity of the Certificates, the Purchase Agreements, the Sale Agreements, the Trust Agreements or any proceedings of the Authority taken with respect to the issuance thereof.

PALOMAR HEALTH

There is no action, suit, proceeding, or investigation at law or in equity before or by any court, public board or body pending or, to Palomar Health’s knowledge, threatened against or affecting Palomar Health: restraining or enjoining the issuance, sale, execution or delivery of the Certificates; in any way contesting or affecting the validity of the Certificates, any proceedings of Palomar Health taken concerning the issuance, execution, sale or delivery thereof, the pledge or application of any moneys or security provided for the payment of the Certificates, existence or powers of Palomar Health relating to the execution or delivery of the Certificates, the Certificate Purchase Contracts (as defined herein), this Official Statement, the Trust Agreements, the Purchase Agreements, the Sale Agreements, Supplement No. 12, Supplement No. 13, Obligation No. 12 or Obligation No. 13 (collectively, the “Certificate Documents”); or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on the business, properties or financial condition of Palomar Health, or the transactions contemplated by this Official Statement, the Certificates or the Certificate Documents.

TAX MATTERS

TAX-EXEMPT CERTIFICATES

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Palomar Health (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Tax-Exempt Installment Payment designated as and constituting interest paid by Palomar Health under the Tax-Exempt Sale Agreement and received by the Holders of the Tax-Exempt Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that such interest is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, the portion of each Tax-Exempt Installment Payment designated as and constituting interest paid by Palomar Health under the Tax-Exempt Sale Agreement and received by the Holders of the Tax-Exempt Certificates included in adjusted financial statement income of certain corporations is not excluded from federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Tax-Exempt Certificates, or the amount, accrual or receipt of the portion of each Tax-Exempt Installment Payment constituting interest. A complete copy of the proposed form of opinion of Bond Counsel to be delivered for the Tax-Exempt Certificates is set forth in APPENDIX E-1 hereto.

To the extent the issue price of any Tax-Exempt Certificates with the same Certificate Payment Date and stated interest rate (referred to herein as a “maturity”) is less than the amount to be paid on the Certificate Payment Date of such Tax-Exempt Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt Certificates), the difference constitutes “original
issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as the portion of such Tax-Exempt Installment Payment constituting interest which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Certificates is the first price at which a substantial amount of such maturity of the Tax-Exempt Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Certificates accretes daily over the term to the Certificate Payment Date of such Tax-Exempt Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on Certificate Payment Date) of such Tax-Exempt Certificates. Beneficial Owners of the Tax-Exempt Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Certificates in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Certificates is sold to the public.

Tax-Exempt Certificates purchased, whether at original execution and delivery thereof or otherwise, for an amount higher than their principal evidenced thereby payable on the Certificate Payment Date thereof (or, in some cases, at their earlier prepayment date) (“Premium Tax-Exempt Certificates”) will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of obligations, like those evidenced by the Premium Tax-Exempt Certificates, the portion of each Tax-Exempt Installment Payment constituting interest with respect thereto which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Tax-Exempt Certificate, will be reduced by the amount of amortizable premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Tax-Exempt Certificates should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the Tax-Exempt Certificates. Palomar Health has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that the portion of each Tax-Exempt Installment Payment constituting interest will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in the portion of each Tax-Exempt Installment Payment constituting interest being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Tax-Exempt Certificates. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of execution and delivery of the Tax-Exempt Certificates may adversely affect the value of, or the tax status of the portion of each Tax-Exempt Installment Payment constituting interest. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of the Chief Legal Officer of Palomar Health (“Counsel to the District”), regarding the current qualification of Palomar Medical Group as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of Palomar Health.
regarding the use of the financed and refinanced facilities in activities that are not considered “unrelated trade or business” activities of Palomar Medical Group as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the District has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Counsel to the District can give or has given any opinion or assurance about the future activities of Palomar Medical Group, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service. Failure of Palomar Medical Group to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed and refinanced by the Tax-Exempt Certificates in a manner that is substantially related to Palomar Medical Group’s charitable purpose under Section 513(a) of the Code, may result in the portion of each Tax-Exempt Installment Payment constituting interest payable by Palomar Health under the Tax-Exempt Sale Agreement and received by the Holders of the Tax-Exempt Certificates being included in federal gross income, possibly from the date of the original issuance of the Tax-Exempt Certificates.

Although Bond Counsel is of the opinion that the portion of each Tax-Exempt Installment Payment constituting interest paid by Palomar Health under the Tax-Exempt Sale Agreement and received by the Holders of the Tax-Exempt Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as the portion of each Tax-Exempt Installment Payment constituting interest may otherwise affect a Tax-Exempt Certificate Holder’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause the portion of each Tax-Exempt Installment Payment constituting interest to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Certificates. Prospective purchasers of the Tax-Exempt Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Tax-Exempt Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or Palomar Health, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and Palomar Health have covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Tax-Exempt Certificates ends with the execution and delivery of the Tax-Exempt Certificates, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, Palomar Health or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Certificates in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is
difficult, obtaining an independent review of IRS positions with which the Authority or Palomar Health legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Certificates for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Certificates, and may cause Palomar Health or the Beneficial Owners to incur significant expense.

Payments on the Tax-Exempt Certificates generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Tax-Exempt Certificates may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Tax-Exempt Certificates and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Tax-Exempt Certificates. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

TAXABLE CERTIFICATES

Bond Counsel observes that the portion of each Taxable Installment Payment designated as and constituting interest paid by Palomar Health under the Taxable Sale Agreement and received by the Holders of the Taxable Certificates is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that the portion of each Taxable Installment Payment designated as and constituting interest paid by Palomar Health under the Taxable Sale Agreement and received by the Holders of the Taxable Certificates is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of the Taxable Certificates, or the amount, accrual, or receipt of the portion of each Taxable Installment Payment constituting interest. The proposed form of opinion of Bond Counsel to be delivered for the Taxable Certificates is contained in APPENDIX E-2 hereto.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Taxable Certificates that acquire their Taxable Certificates in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Certificates as part of a hedge, straddle or an integrated or conversion transaction, investors whose “functional currency” is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file
financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Taxable Certificates under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Certificates pursuant to this offering for the issue price that is applicable to such Taxable Certificates (i.e., the price at which a substantial amount of the Taxable Certificates are sold to the public) and who will hold their Taxable Certificates as “capital assets” within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any investors in the Taxable Certificates other than investors that are U.S. Holders.

As used herein, “U.S. Holder” means a beneficial owner of a Taxable Certificate that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Taxable Certificates, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Certificates, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Certificates (including their status as U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Taxable Certificates in light of their particular circumstances.

U.S. Holders

Interest. The portion of each Taxable Installment Payment constituting interest generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Taxable Certificates is less than the amount to be paid at the Certificate Payment Date of such Taxable Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Taxable Certificates) by more than a de minimis amount, the difference may constitute original issue discount (“OID”). U.S. Holders of Taxable Certificates will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Taxable Certificates purchased for an amount in excess of the principal amount payable at the Certificate Payment Date (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Taxable Certificate issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Taxable Certificate.
Sale or Other Taxable Disposition of the Taxable Certificates. Unless a nonrecognition provision of the Code applies, the sale, exchange, prepayment, retirement (including pursuant to an offer by the Authority) or other disposition of a Taxable Certificate will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Certificate will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest represented by the Taxable Certificate, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Taxable Certificate (generally, the purchase price paid by the U.S. Holder for the Taxable Certificate, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Taxable Certificate). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Certificates, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder’s holding period for the Taxable Certificates exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Certificates. If the Authority defeases any Taxable Certificate, the Taxable Certificate may be deemed to be retired and “reissued” for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder’s adjusted U.S. federal income tax basis in the Taxable Certificate.

Information Reporting and Backup Withholding. Payments on the Taxable Certificates generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Certificates may be subject to backup withholding at the current rate of 24% with respect to “reportable payments,” which include interest paid on the Taxable Certificates and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Certificates. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. TIN to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Foreign Account Tax Compliance Act (“FATCA”) Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance,
failure to comply with the additional certification, information reporting and other specified requirements
imposed under FATCA could result in the 30% withholding tax being imposed on payments of the portion
of each Taxable Installment Payment designated as and constituting interest paid by Palomar Health under
the Taxable Sale Agreement and received by the Holders of the Taxable Certificates. In general,
withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under
current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after
publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective
investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all
aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Certificates in light
of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult
their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of
Taxable Certificates, including the application and effect of state, local, non-U.S., and other tax laws.

APPROVAL OF LEGALITY

Certain legal matters incident to the delivery of the Certificates are subject to the approving opinion
of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to Palomar Health. A complete copy of the proposed
form of opinion of Bond Counsel is set forth as APPENDIX E — “PROPOSED FORM OF OPINION OF BOND
COUNSEL.” Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this
Official Statement. Certain legal matters will be passed upon for the Obligated Group by the Chief Legal
Officer to Palomar Health, and for the Underwriter by its counsel, Chapman and Cutler LLP. Certain legal
matters will be passed upon by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel to the Port. None
of counsel to the Underwriter, counsel to the Obligated Group, counsel to the Authority or disclosure
counsel undertakes responsibility for the accuracy, completeness or fairness of this Official Statement,
except as otherwise stated in their respective opinions delivered upon the execution and delivery of the
Certificates, and none of such opinions is addressed to or may be relied upon by purchasers upon delivery
of the Certificates.

UNDERWRITING

The Certificates are being purchased by Citigroup Global Markets Inc. (the “Underwriter”)
pursuant to separate Certificate Purchase Contracts (each, a “Certificate Purchase Contract” and, together,
the “Certificate Purchase Contracts”), each between the Underwriter and Palomar Health. The Underwriter has agreed to purchase the Tax-Exempt Certificates at a purchase price of $__________
(representing the principal amount of the Tax-Exempt Certificates, plus net original issue premium of
$__________, less an underwriter’s discount of $__________). The Underwriter has agreed to purchase
the Taxable Certificates at a purchase price of $__________ (representing the principal amount of the
Taxable Certificates, less an underwriter’s discount of $__________). Under the terms of each Certificate
Purchase Contract, the Underwriter will be obligated to purchase all of the Tax-Exempt Certificates and the
Taxable Certificates, as applicable, if any are purchased, the obligation to make such purchase being subject
to certain terms and conditions contained in the Certificate Purchase Contracts to be satisfied by Palomar
Health. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower
than the offering prices stated on the front inside cover pages. The offering prices may be changed from
time to time by the Underwriter. The Underwriter may engage in other transactions with Palomar Health,
in which the Underwriter could earn additional compensation. The Certificate Purchase Contracts provide
that the fees of counsel to the Underwriter will be paid by Palomar Health.
CERTAIN RELATIONSHIPS

Citigroup Global Markets Inc., the underwriter of the Certificates, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and certain of its affiliates have, from time to time, performed and may in the future perform, various investment banking services for Palomar Health, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Palomar Health. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. The Underwriter and/or its affiliates may have received or will receive customary fees and payment of expenses in connection with any of these activities.

A portion of the proceeds of the Certificates will be used to pay the Swap Termination Payment for the 2006 Swaps to Citibank, N.A., the provider of the 2006 Swaps and an affiliate of the Underwriter. As a result, an affiliate of the Underwriter will receive a [substantial] portion of the proceeds from this offering in connection with the termination of the 2006 Swaps.

U.S. Bank Trust Company, National Association will serve as Trustee and Master Trustee upon the execution and delivery of the Certificates.

INDEPENDENT AUDITORS

The consolidated financial statements of Palomar Health as of and for the years ended June 30, 2022 and 2021 are included in APPENDIX B to this Official Statement. The consolidated financial statements of Palomar Health as of and for the years ended June 30, 2022 and 2021 have been audited by Moss Adams LLP, independent auditors, as stated in their report appearing in APPENDIX B. Moss Adams LLP has not been engaged to perform and has not performed since the date of the report included in APPENDIX B any procedures on the consolidated financial statements addressed in that report.

FINANCIAL STATEMENTS

The audited consolidated financial statements included in APPENDIX B hereto include the assets, liabilities and results of operations of the Members of the Obligated Group and Health Development. For

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1 NTD: confirm swap termination payment is not expected to be more than 10% of the proceeds of the offering.
the fiscal year ended June 30, 2022, Health Development, in the aggregate, generated ____% of the operating revenue of the consolidated Palomar Health entities and ____% of the income from operations and represented ____% of the total net position of the consolidated Palomar Health entities.

FINANCIAL ADVISOR

The Obligated Group has retained Kaufman, Hall & Associates, LLC (“Kaufman Hall”), Skokie, Illinois, a municipal advisory firm registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board, as financial advisor in connection with the execution and delivery of the Certificates. Although Kaufman Hall has assisted in the preparation of this Official Statement, Kaufman Hall was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

RATINGS

The Certificates have been assigned ratings of “[____]” (_______ outlook) by Moody’s Investors Service (“Moody’s”), “[____]” (_______ outlook) by Fitch Ratings (“Fitch”), and “[____]” (_______ outlook) by S&P Global Ratings, a division of S&P Global Inc.

The ratings reflect only the views of the respective rating agency, and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. In order to obtain such ratings, Palomar Health furnished certain information and materials to the rating agencies, some of which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and their own investigation, studies and assumptions. There is no assurance that any of the ratings will be maintained for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Palomar Health undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price of the Certificates. The Underwriter has taken no responsibility either to bring to the attention of the holders of the Certificates any proposed revision or withdrawal of a rating or to oppose any such revision or withdrawal.

Palomar Health expects to furnish to each rating agency such information and materials as it may request. Palomar Health, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Certificates.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

MISCELLANEOUS

“SUMMARY OF THE TAXABLE TRUST AGREEMENT, THE TAXABLE INSTALLMENT SALE AGREEMENT AND THE TAXABLE PURCHASE AGREEMENT” do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Copies of the Master Indenture, Supplement No. 12, Supplement No. 13, Obligation No. 12, Obligation No. 13, the Certificates, the Purchase Agreements, the Sale Agreements and the Trust Agreements will be available on and after the Date of Delivery in reasonable quantity upon request to the Trustee. The Authority’s participation in the preparation of this Official Statement has been limited to the information under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION — The Authority” and the Authority is not responsible for any information in this Official Statement except as contained in said sections. Information relating to The Depository Trust Company (“DTC”) and the book-entry only system has been furnished by DTC.

The attached Appendices are integral parts of this Official Statement and should be read together with the balance of this Official Statement. All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

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This Official Statement and its distribution has been approved by Palomar Health. This Official Statement is not to be construed as a contract or agreement between the Authority or Palomar Health and the purchasers or Holders of any Certificates.

PALOMAR HEALTH

By: ________________________________

Its: ________________________________
APPENDIX A
INFORMATION CONCERNING PALOMAR HEALTH AND THE OBLIGATED GROUP

Unless otherwise indicated herein, the information contained in this Appendix A has been obtained from or approved by Palomar Health.
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INTRODUCTION

Overview

Palomar Health (sometimes referred to herein as the “District”) is a local health care district formed by a vote of Palomar Health’s electorate in 1948 and is a political subdivision in the State of California (sometimes referred to herein as the “State”) organized pursuant to Division 23 of the Health and Safety Code of the State. Palomar Health was originally known as the Northern San Diego County Hospital District and, between 2001 and 2012, was known as Palomar Pomerado Health. Palomar Health is located inland in the northern portion of the County of San Diego (the “County,” and the northern portion of the County, the “North County”) and is the largest California local health care district in terms of geographical area, covering approximately 800 square miles. Based on information from Sg2, LLC, the 2022 population within Palomar Health’s boundaries was estimated to be approximately 1,725,000. Included within those boundaries are all or a portion of the cities and communities of Escondido, Poway, Carmel Mountain, Julian, Pala, Palomar Mountain, Pauma Valley, Ramona, Rancho Bernardo, Rancho Peñasquitos, San Marcos, Santa Ysabel, Valley Center and Vista.

Palomar Health owns and operates two acute care hospital facilities. Palomar Medical Center Escondido (“PMC Escondido”) is a 286-licensed-bed acute care hospital located in Escondido that opened in August 2012. PMC Escondido is a full-service tertiary and acute care facility and is the only designated Level 2 trauma center in the North County, with a trauma service area of approximately 2,200 square miles (approximately 10% larger than the land area of Rhode Island). Palomar Medical Center Poway (“PMC Poway”) is a 95-licensed-bed acute care hospital located in Poway that opened in 1977. PMC Poway is a full-service community hospital and is located 12 miles from PMC Escondido.

Palomar Health also owns and operates several non-acute facilities: a 129-bed skilled nursing facility, The Villas at Poway, that is located on the PMC Poway campus and is inclusive of a 36-bed sub-acute unit; an urgent care clinic that is located on the PMC Escondido campus; and an outpatient services facility that is located in San Marcos (the “San Marcos Ambulatory Care Center”) and houses one of Palomar Health’s Wound Healing and Hyperbaric Centers, a cardiac rehabilitation program and corporate health services, as well as being the facility from which Palomar Health coordinates its comprehensive home health program.

In September 2022, The Association of California Healthcare Districts named Palomar Health the District of the Year.

Organizational Structure

Operating Divisions. Palomar Health organizes its operations through operating divisions, consisting of PMC Escondido, PMC Poway, Palomar Home Health Services, Palomar Health Outpatient Clinical Services at the San Marcos Ambulatory Care Center, Palomar Health’s central office and Palomar Health Urgent Care Clinic, none of which are separate legal entities. The financial and operating information of each operating division is not tracked separately and is reflected in the financial and operating information of Palomar Health. See Note 1 to the audited financial statements of Palomar Health included as Appendix B for additional information.

Related Entities. The financial results of certain of the related entities described below are included in the audited financial statements of Palomar Health. Among these related entities, only Arch Health Partners, Inc., doing business as Palomar Health Medical Group (“PHMG”), has joined the obligated group created under that certain Master Trust Indenture, dated as of December 1, 2006. Accordingly, only PHMG and Palomar Health are obligated with respect to debt service payments on revenue obligations issued by
or for the benefit of Palomar Health, including the 2022 Certificates described in the forepart of this Official Statement. None of the assets or revenues of any of the related entities described below, other than PHMG, are pledged to secure payments with respect to the 2022 Certificates.

_Arch Health Partners, Inc., doing business as Palomar Health Medical Group._ Palomar Health is the sole corporate member of PHMG, a California nonprofit public benefit corporation and a medical foundation described under California Health and Safety Code Section 1206(l) that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). PHMG was formed in 2010 to strategically position Palomar Health to respond to emerging forms of physician-hospital integration models. The specific and primary purposes of PHMG are to perform and carry out health care functions by establishing, operating, and maintaining multi-specialty medical clinics for the provision of health care services. As of the date of this Official Statement, PHMG has entered into professional service agreements with more than 200 member physicians representing multiple specialties in more than 15 clinic locations. Additionally, PHMG has entered into professional service agreements with a team of physicians dedicated to providing care at Palomar Health’s skilled nursing and rehabilitation facilities, together with a geriatric nurse practitioner who conducts home visits in assisted living facilities within the communities served by Palomar Health. Under State law, PHMG may not employ physicians. PHMG physicians are independent physicians or groups of independent physicians and are not contractually required to provide services exclusively at Palomar Health facilities. However, PHMG physicians are responsible for most of the inpatient and outpatient volume at PMC Poway. In addition, PHMG’s physicians are a critical element of the Palomar Health Centers of Excellence in orthopaedics, bariatrics, and the labor and delivery program. These three programs are significant to Palomar Health’s market share, with one in four orthopaedic surgeries in the County being performed at Palomar Health.

PHMG is a significant component of Palomar Health’s physician alignment strategy. Given the strategic importance, Palomar Health pays PHMG’s excess of expenses over revenues.

_Palomar Health Development, Inc._ Palomar Health Development, Inc. (“Health Development”) is a California nonprofit public benefit corporation organized and operated to seek grants to support research and other programs at Palomar Health’s facilities. As the sole corporate member of Health Development, Palomar Health appoints all the members of Health Development’s board of directors. Currently, Palomar Health provides all administrative personnel to Health Development under a management services agreement, wherein Palomar Health is reimbursed $3,500 per month for Health Development staffing. The financial results of Health Development are included in the audited financial statements of Palomar Health, including the audited financial statements included as Appendix B hereto, and are included in the financial information in this Appendix A.

_San Diego Imaging-Palomar Health, LLC (formerly known as “PPI”)._ San Diego Imaging-Palomar Health, LLC, is a joint venture between Palomar Health and San Diego Imaging, a California professional corporation, and provides outpatient imaging services. Palomar Health’s financial contribution to the joint venture is nominal. The financial results of San Diego Imaging-Palomar Health, LLC, are not included in the audited financial statements of Palomar Health but are reported on Palomar Health’s financial statements under the equity method. San Diego Imaging-Palomar Health, LLC, is not an Obligated Group Member.

**STRATEGIC PLAN**

**Strategic Initiatives**

Palomar Health’s strategic focus is on expanding the footprint of its primary service area and increasing services in key services lines such as oncology, cardiology, surgery and women’s and children’s
services. A key component of this growth strategy is growing PHMG by increasing the number of primary care physicians, as well as opening clinics on the outside edges of the District and into other more northerly and westerly markets. Palomar Health is also working with PHMG to recruit more medical specialists in oncology, cardiology, surgery, obstetrics, pediatrics and other targeted specialties.

Recognizing that high quality care and value to patients are key to growth, Palomar Health continues to improve its award-winning high quality patient service and safety programs and has begun the journey toward successful achievement of the Malcolm Baldrige National Quality Award. Palomar Health is also committed to improving the patient experience by providing interactive technology to optimize the relationship with patients and their families. Palomar Health has developed strategic affiliations to provide patients with specialized services and/or local access to care and has partnered with an extensive network of physician providers in the North County to develop population health strategies. For a description of the services provided directly by Palomar Health through its operating divisions, see “FACILITIES, SERVICES AND MEDICAL STAFF — Services” herein, and, for a description of strategic affiliations, see “ — Strategic Affiliations,” below.

Strategic Affiliations

_**LifePoint Health.**_ LifePoint Health (formerly known as Kindred Rehab) is a large diversified provider of rehabilitation services throughout the United States and manages acute rehabilitation services for Palomar Health. In June 2016, Palomar Health and LifePoint Health formed a joint venture to construct and operate a 52-bed inpatient rehabilitation hospital (the “Rehab Hospital”) on the PMC Escondido campus. The Rehab Hospital was completed in March 2021 and began admitting patients in April 2021. Pursuant to the joint venture agreement, LifePoint Health owns 51% of the joint venture and Palomar Health owns the remaining 49%. Construction of the Rehab Hospital was funded by a real estate developer that leases the Rehab Hospital to the joint venture. LifePoint Health manages the day-to-day operations of the Rehab Hospital. The rehabilitation services provided at the Rehab Hospital are one of only two acute rehabilitation programs in the County.

Palomar Health and LifePoint Health have formed an additional joint venture to operate a 120-bed behavioral health hospital in Escondido. The behavioral health hospital is scheduled to open and begin accepting patients in the second quarter of calendar year 2025. Pursuant to the joint venture agreement, LifePoint Health owns 40% of the joint venture and Palomar Health owns the remaining 60%. Construction costs will be funded by a real estate developer that will lease the hospital to the joint venture. Pursuant to the joint venture agreement, LifePoint Health will manage the day-to-day operations of the hospital.

The financial results for the joint venture with LifePoint Health for the Rehab Hospital are not included in the audited financial statements of Palomar Health but are reported on Palomar Health’s financial statements under the equity method. The accounting methodology for the joint venture with LifePoint Health for the behavioral health hospital will be determined after all agreements are finalized.

_Additional Strategic Activities._ Palomar Health’s management is currently in negotiations with a nationally known ambulatory surgery management company to acquire an existing surgery center in Poway, which will be relocated to an office building adjacent to PMC Poway by November 2023. Palomar Health expects that it will own 40% of the surgery center for an investment of $3.0 million, which is expected to be funded from operations. Palomar Health is also in negotiations with the same management company to open another ambulatory surgery center in Escondido, adjacent to PMC Escondido. Palomar Health plans to invest $2.0 million, which is expected to be funded from operations, for an expected 26% ownership position. Palomar Health expects this surgery center to open in October 2023. Palomar Health is also planning to joint venture a second imaging center in Poway with San Diego Imaging (“SDI”) and PHMG. Palomar Health and PHMG expect that they collectively will invest $4.0 million for their ownership.
interest, which is expected to be funded from operations. The imaging center is expected to open in January 2024.

Consistent with its strategic plan and its focus on building a coordinated system of care, Palomar Health continuously evaluates new business opportunities that may involve affiliations, associations or contractual arrangements with or the acquisition of health care enterprises. Consideration of any of these activities is made with the goal of providing high quality care, cost efficiency, population health management and patient satisfaction to the communities it serves. Future affiliations, associations or contractual arrangements may involve capital expenditures that could be substantial. Although management of Palomar Health does not currently contemplate incurring debt to finance strategic activities, it is possible that such activities could be financed with debt incurred by the Obligated Group. In addition, Palomar Health periodically examines its current affiliations, associations, contractual arrangements and assets to determine whether continued affiliation, association or ownership is consistent with Palomar Health’s strategic priorities. It is possible that, as a result of such examinations, affiliations or associations may be terminated and/or assets may be divested. See “CERTIFICATEHOLDERS’ RISKS — Future Acquisitions, Divestitures or Other Affiliations Could Require Significant Capital Expenditures and Change the Composition of the Obligated Group” in the forepart of this Official Statement.

Transitions. Palomar Health historically has maintained strategic affiliations with Rady Children’s Hospital (“Rady Children’s”) and Kaiser Foundation Hospitals (“Kaiser”), but Palomar Health’s current arrangement with each organization is expected to terminate.

Rady Children’s Hospital. Palomar Health entered into an Affiliation Program Agreement (the “Rady Agreement”) in April 2010 with Rady Children’s, a nonprofit public benefit corporation that owns and operates a pediatric hospital in the City of San Diego, approximately 30 miles south of PMC Escondido. Pursuant to the Rady Agreement, Palomar Health transferred its pediatric and neonatal intensive care (“NICU”) licensed beds at PMC Escondido to Rady Children’s for the day-to-day operation of Palomar Health’s inpatient pediatric and neonatal program.

As of the date of this Official Statement, Palomar Health has determined to resume offering inpatient pediatric and neonatal services under its own license at PMC Escondido. Accordingly, the four NICU beds that had been transferred to Rady Children’s license will be returned to Palomar Health’s license, and Palomar Health is in the process of seeking licensure for an additional seven NICU beds that it has constructed. To support the transition, Palomar Health and Rady Children’s have entered into a management agreement, pursuant to which Rady Children’s will staff and manage the NICU at PMC Escondido. The agreement expires one year from the opening of the new 11-bed NICU unit, at which time, Palomar Health expects to resume management of all inpatient pediatric and neonatal services.

Kaiser Foundation Hospitals. Palomar Health entered into a Hospital Services Agreement (“Kaiser Agreement”) with Kaiser in February 2004. Kaiser is a California nonprofit public benefit corporation that provides hospital services to, or arranges the provision of hospital services for, members of the Kaiser Foundation Health Plan, Inc. (“Health Plan”). Under the Kaiser Agreement, Palomar Health is obligated to provide inpatient and outpatient hospital services, primarily at PMC Escondido, to members of the Health Plan in exchange for fees from Kaiser based upon a schedule the parties have negotiated. On average, services provided pursuant to the Kaiser Agreement represent approximately 14% of total Palomar Health surgical volume and approximately 26% of total Palomar Health newborn baby deliveries. For the fiscal years ended June 30, 2022 and 2021, net revenue generated from the Kaiser Agreement represented approximately 18% and 15%, respectively, of Palomar Health’s income from operations.

Kaiser is currently building a hospital in North County that is scheduled to open in the fall of 2023. Palomar Health currently has a contract to provide services to Kaiser patients through December 31, 2024.
As of the date of this Official Statement, Palomar Health does not expect to extend the Kaiser Agreement beyond calendar year 2024. Nonetheless, Palomar Health expects that it may continue to see some Kaiser patients on an emergent basis because it is not expected that Kaiser’s new hospital in North County will offer trauma services. Payments for any such services would not be governed by rates under the Kaiser Agreement but would be subject to future negotiation between Palomar Health and Kaiser.

FACILITIES, SERVICES AND MEDICAL STAFF

Facilities

Palomar Health operates facilities in multiple locations within the North County, as shown in the chart below.

<table>
<thead>
<tr>
<th>Facility</th>
<th>Type of Service</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMC Escondido</td>
<td>Acute Care Hospital; Trauma Center; Urgent Care</td>
<td>Escondido</td>
</tr>
<tr>
<td>PMC Poway</td>
<td>Acute Care Hospital; Wound Healing and Hyperbaric Center</td>
<td>Poway</td>
</tr>
<tr>
<td>The Villas at Poway</td>
<td>Skilled Nursing; Sub-acute Services</td>
<td>Poway</td>
</tr>
<tr>
<td>San Marcos Ambulatory Care Center</td>
<td>Outpatient Services; Wound Healing and Hyperbaric Center; Home Health</td>
<td>San Marcos</td>
</tr>
</tbody>
</table>

Services

**PMC Escondido.** PMC Escondido is a full-service 286-licensed bed tertiary and acute care facility. All of PMC Escondido’s patient rooms are private. In addition, there are 12 operating suites and a 72-bed emergency department. Fiber optic and wireless connectivity provide technology in all functional areas of PMC Escondido, including the emergency department, surgical and interventional suites and patient rooms, which was designed to improve patient safety by minimizing errors.

Services at PMC Escondido include a 24-hour emergency department, a stroke center certified by The Joint Commission, a STEMI receiving center for cardiac emergencies, cardiac catheterization suites, neuro interventional services, open heart services, electrophysiology services, neurosurgery, spine surgery, orthopedic surgery, endo-vascular services, endoscopic services, gynecology and gynecologic oncology surgery, general and oncology surgery, and minimally invasive and robotic technologies.

The County has designated six hospitals to provide trauma services within designated areas of the County, and PMC Escondido has been designated as a Level 2 trauma center for purposes of the County’s Trauma System. PMC Escondido is the only trauma center for the North County. PMC Escondido’s trauma center has a service area of approximately 2,200 square miles from the San Diego/Riverside County line to the north, to the Pacific Ocean coast on the west, to the Anza Borrego desert on the east and south to Mira Mesa.

**PMC Poway.** PMC Poway is a full-service 95-licensed bed community hospital. In addition to general medical and surgical services, PMC Poway features 24-hour emergency services, labor and delivery, a neonatal intensive care unit, cardiac and vascular care, wound care, a certified STEMI treatment facility, a psychiatric unit, a surgical weight loss program, and rehabilitation services.

**Skilled Nursing.** The Villas at Poway, which opened in 1987, is a 129-bed skilled nursing facility that is located on the PMC Poway campus. It includes a 36-bed sub-acute unit, which was the first to operate in the North County. The services offered at The Villas at Poway support the continuum of care
by providing transitional levels of care, managing complex patient cases and assisting Palomar Health’s hospital facilities with reducing length of stay.

**Home Health.** Palomar Home Health Services is a Medicare-certified home health agency that provides home health services, including care management and long-term care, to the communities within Palomar Health’s service area. It specializes in a variety of health care services for adults and infants, with care provided by a staff of nurses, physical therapists, occupational therapists, speech pathologists, social workers and certified home health aides. One tool, among many, used by Palomar Home Health Services is telehealth monitoring, which allows nursing staff to closely monitor high risk congestive heart failure patients and work with the patient’s physician to help keep the patient safely at home. In addition, Palomar Home Health Services offers private duty care (under the name Palomar Health Home Health Caregivers) to provide clients with personal care attendants who assist clients with non-medical home care needs. The care is customized to the client’s needs and includes new mother assistance, as well as patient transportation.

**Corporate Health.** Corporate health services are provided by Palomar Health on the hospital campuses at PMC Escondido and at PMC Poway. Corporate health services are provided to support community businesses and Palomar Health’s employees. The corporate health community business occupational health program provides primary occupational medicine, employee health and risk management services to more than 892 local businesses annually, representing more than 56,000 lives in the County and southern Riverside County. This program provides traditional in-clinic occupational medicine services, in addition to worksite health services for access and business partner convenience. Worksite health services include preventive health and wellness, medical surveillance exams, vaccination, and educational programs.

The corporate health employee program also provides employee health, risk management, and loss prevention programs for Palomar Health’s more than 7,000 employees, volunteers, credentialed medical staff, students, and vendors.

**Wound Care.** The Palomar Health Wound Healing and Hyperbaric Centers located on the PMC Poway campus and at the San Marcos Ambulatory Care Center offer outpatient wound care programs. Through advanced wound healing techniques, physicians and staff who specialize in wound care and hyperbaric medicine work collaboratively with community physicians to develop a comprehensive care plan for patients with chronic wounds. The Wound Care Centers use an interdisciplinary model of care and integrate advanced wound care techniques, products and services, including hyperbaric oxygen therapy, to develop individualized treatment to aid wound closure, new tissue growth and wound tissue regeneration. Patient education is also an integral part of the program and encompasses teaching patients how to care for wounds, nutrition, and other measures to prevent wounds and to aid in healing. In 2021, the Wound Care Centers worked collaboratively with 280 referring physicians in the community, to deliver over 8,000 visits provided to more than 750 patients.

**Crisis Stabilization Unit.** In 2016, Palomar Health opened the Crisis Stabilization Unit (“CSU”). The CSU is located at PMC Escondido and is intended to provide space for behavioral health patients who otherwise would wait in the emergency department for inpatient care options or safe discharge. The CSU provides a better environment for these patients, as it is quiet and allows direct and constant supervision by staff trained in behavioral health, and it increases capacity in the emergency department for patients requiring emergent care.

**Palomar Health Urgent Care Clinic.** Palomar Health’s Urgent Care Clinic is a retail-based health clinic, located on the PMC Escondido. The Urgent Care Clinic is staffed by family nurse practitioners and provides injury and illness medical treatment, preventive screenings/education, and care navigation services. The Urgent Care Clinic provides convenient access for non-emergent care patients and for
intermittent care needs and increases navigation connections for patients to physicians within Palomar Health’s care network.

The Projects

PMC Escondido. When PMC Escondido was opened in 2012, a portion of the 9th floor and all of the 10th and 11th floors were shelled for future expansion. Additionally, only four of the six elevator shafts were equipped with elevators. A portion of the proceeds from the sale of the 2022 Certificates, together with other moneys of Palomar Health, will be used to build out, equip and furnish the remaining portion of the 9th floor, as well as the 10th and 11th floors, and to equip the remaining two elevator shafts (collectively, the “2022 Escondido Project”). The 2022 Escondido Project is expected to cost approximately $75 million, approximately $65 million of which will be funded with proceeds from the sale of the 2022 Certificates.

The primary purpose of the 2022 Escondido Project is to expand PMC Escondido’s medical surgical bed and emergency capacity to address the needs of the growing community that PMC Escondido serves. It is expected that the 2022 Escondido Project will result in the addition of up to 72 new inpatient beds at PMC Escondido. After the execution and delivery of the 2022 Certificates, Palomar Health will begin the bidding process for the construction of the 10th and 11th floors and installation of the new elevator cars. Construction is expected to begin in early 2023. Palomar Health expects that this component of the 2022 Escondido Project will be complete by the end of 2024. As of the date of this Official Statement, local and State authorities have approved the plans for the construction for the completion of the 9th floor, the bidding process for the 9th floor construction is complete, and Palomar Health expects to enter into a construction contract, providing for a guaranteed maximum price of $8 million. Palomar Health expects that this component of the 2022 Escondido Project will be complete by the third quarter of calendar year 2023.

PMC Poway. In September 2022, PMC Poway closed its 17-bed geriatric psychiatric unit. To address the needs of the growing community that PMC Poway serves, Palomar Health expects to convert the license for such beds to medical surgical beds but needs to upgrade the supporting infrastructure at PMC Poway in order to service the needs of additional medical surgical patients. A portion of the proceeds from the sale of the 2022 Certificates will be used to remodel and expand the emergency room and intensive care unit; upgrade elevators; construct a new main entrance; and improve fire, emergency and security systems (the “2022 Poway Project”). The 2022 Poway Project is expected to cost approximately $35 million, all of which will be funded with proceeds from the sale of the 2022 Certificates. Palomar Health expects that the 2022 Poway Project will be completed by the end of 2024.

Conformance with the State’s Seismic Standards

PMC Escondido. The facilities on the PMC Escondido campus were opened in 2012 and are compliant with the current seismic standards. Each PMC Escondido facility has a SPC-5 rating, the highest possible rating category. All infrastructure is braced/anchored in accordance with current standards (NDC-2). As such, the entire campus is approved to provide acute hospital inpatient care without restriction beyond January 1, 2030.

PMC Poway. All acute hospital buildings on the PMC Poway campus have been categorized by the State’s Department of Health Care Access and Information as either SPC-4 or SPC-5. All infrastructure is braced/anchored in accordance with current standards (NDC-2 and NDC-4). As such, they are approved to provide acute inpatient hospital patient care without restriction beyond January 1, 2030.
Community Service Programs

Palomar Health’s mission is to improve the health status of the communities within its boundaries with a patient-first focus and a dedication to providing high quality clinical care, customer value and access to comprehensive services. Palomar Health provides a breadth of services to meet identified health needs throughout its communities. Palomar Health’s community service and education programs are integral to its mission.

For the 2021-22 flu season, Palomar Health held scheduled clinics and gave flu and COVID-19 shots. The clinics were located throughout North County in schools, community centers, libraries, homeless shelters, senior centers, affordable housing facilities, churches, mobile home parks and Palomar Health’s hospital lobbies. Palomar Health also offers a monthly Ask-a-Nurse program, which is primarily held at various libraries throughout the North County. Palomar Health’s community health nurse plans and staffs these events, which also feature a free blood pressure screening and education on cancer screening.

Medical Staff

As of June 30, 2022, Palomar Health had a total of 690 active physicians on the combined medical staffs of PMC Escondido and PMC Poway. Approximately 94% are board-certified in their respective specialties within approximately 45 specialties. Both hospitals’ Medical Staff Bylaws require board certification as a condition for medical staff privileges. The exceptions are: physicians who have been grandfathered in if they were on the medical staff prior to adoption of this requirement; and physicians newly out of residency programs who are given a specified number of years to achieve board certification. The medical staffs include primary care physicians, surgeons and medical specialists. As of June 30, 2022, the average age of physicians on the medical staffs was 43, with 5% of the physicians age 60 or older.

Palomar Health has a formalized physician recruitment program that has been in place for approximately ten years, under which income guarantees may be provided to physicians who move to and establish a medical practice within Palomar Health’s service area to meet community need. When possible, these recruitments are undertaken in conjunction with a physician or medical group already practicing in the service area, who either want to expand their capacity to care for additional patients or who are recruiting to fill a vacancy due to retirement or a physician relocating. Palomar Health has been involved in recruitment of four physicians to its medical staffs through income guarantees since 2010. In addition to these recruitments, the medical staff continues to recruit new physicians to its groups without income guarantee assistance, including physicians from Kaiser and other private groups. These recruitments totaled nearly 208 new physicians over the past year.

Physician Alignment

A significant component of Palomar Health’s strategic plan is physician alignment, which has been a major focus for Palomar Health’s management during the past five fiscal years. These efforts have culminated in various strategies by Palomar Health, including significant investment in PHMG to stabilize primary care services, strengthen hospital-physician alignment, enhance physician recruitment and enhance infrastructure designed to support quality initiatives at each of Palomar Health’s facilities. In addition, Palomar Health has partnered with the largest independent multi-specialty medical group in the North County, the largest independent physician association in the County and other physician groups within its service area to enhance recruitment of specialists, drive shared savings and attract capitated patients to Palomar Health’s delivery system.

Arch Health Partners, Inc., doing business as Palomar Health Medical Group. PHMG has clinic offices in Poway, Escondido, San Marcos, Vista, Rancho Peñasquitos, Temecula, Murrieta, Fallbrook,
Valley Center and Ramona. Both primary care and specialty care services are provided across the clinic offices.

PHMG and Palomar Health are also closely aligned with several Federally Qualified Health Centers in the District — Neighborhood Health Care, Vista Community Clinic and North County Health Services. These clinics refer to PHMG specialists for services that are not offered at the clinics.

**Sharp Community Medical Group.** Sharp Community Medical Group, Inc. ("SCMG"), a California professional corporation, is an independent, physician-owned association of private practice primary and specialty care physicians with offices located throughout the County. SCMG is the largest independent physician association in the County, with nearly 270 primary care and more than 600 specialty care physicians, and delivers care at more than 350 practice locations to roughly 208,000 patients annually, with an estimated 1 million total visits. The majority of these patients are contracted through capitated, outcome-based arrangements. In addition to health maintenance organization ("HMO") contracts with Sharp Health Plan and UnitedHealthcare, among others, SCMG contracts with Aetna and UnitedHealthcare in accountable care organization relationships and participates in Medicare accountable care organization organization and other payor relationships, such as preferred provider organizations, Medicare fee-for-service, Medi-Cal and Tri-Care, among others.

SCMG provides an integrated case management program that supports its physicians and members throughout the continuum of care, from the ambulatory setting, to hospitalization, through discharge and home care. It is comprised of teams that manage the ambulatory referral process, as well as on-site case management at acute care facilities and step-down facilities, and outpatient case management. SCMG subcontracts with Palomar Health and PHMG to provide care to SCMG’s contracted patients. Palomar Health and SCMG have collaboratively worked under this type of arrangement since February 2014.

**SERVICE AREA AND COMPETITION**

**Service Area**

Palomar Health’s boundaries as a political subdivision cover an approximately 800-square-mile area located inland in the North County and encompass all or portions of the following cities and communities: Escondido, Poway, Carmel Mountain, Julian, Pala, Palomar Mountain, Pauma Valley, Ramona, Rancho Bernardo, Rancho Peñasquitos, San Marcos, Santa Ysabel, Valley Center and Vista. Management of Palomar Health considers this geographical area to be Palomar Health’s service area. Set forth below is a map that shows the boundaries of Palomar Health’s primary and secondary service areas.
The 2022 population within Palomar Health’s service area is estimated by Sg2, LLC, to be approximately 1,725,000.

### Service Area Population

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2022</th>
<th>2027</th>
<th>% Growth 2010 - 2022</th>
<th>% Growth 2022 - 2027</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>510,855</td>
<td>1,724,942</td>
<td>1,784,631</td>
<td>238%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Sources: Crimson Market Advantage – The Advisory Board Company, for 2010 data; Sg2, LLC, dated as of February 2022, for all other data.

Palomar Health’s primary service area had approximately 574,040 households in 2022. The primary service area-north had a median household income of $90,501, while the primary service area-south had a median household income of $122,452. Other characteristics of Palomar Health’s service area are shown in the tables below for 2022.
### Palomar Health Primary Service Area
#### Population Distribution by Age Group — 2022

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Population</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>327,986</td>
<td>19.0%</td>
</tr>
<tr>
<td>15-17</td>
<td>67,542</td>
<td>3.9%</td>
</tr>
<tr>
<td>18-24</td>
<td>162,951</td>
<td>9.4%</td>
</tr>
<tr>
<td>25-34</td>
<td>245,210</td>
<td>14.2%</td>
</tr>
<tr>
<td>35-54</td>
<td>435,228</td>
<td>25.2%</td>
</tr>
<tr>
<td>55-64</td>
<td>215,920</td>
<td>12.5%</td>
</tr>
<tr>
<td>65+</td>
<td>270,105</td>
<td>15.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,724,942</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Sg2, LLC, as of February 2022.

(1) Totals may not add correctly due to rounding.

### Palomar Health Service Area
#### Households by Income Group — 2022

<table>
<thead>
<tr>
<th>Income</th>
<th>Households</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$15,000</td>
<td>26,787</td>
<td>4.7%</td>
</tr>
<tr>
<td>$15-25,000</td>
<td>23,700</td>
<td>4.1%</td>
</tr>
<tr>
<td>$25-50,000</td>
<td>70,445</td>
<td>12.3%</td>
</tr>
<tr>
<td>$50-75,000</td>
<td>73,746</td>
<td>12.9%</td>
</tr>
<tr>
<td>$75-100,000</td>
<td>67,744</td>
<td>11.8%</td>
</tr>
<tr>
<td>Over $100,000</td>
<td>311,618</td>
<td>54.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>574,040</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Sg2, LLC, as of February 2022.

(1) Totals may not add correctly due to rounding.

Based on the Employment Development Department of the State of California, unemployment as of June 30, 2022 was 3.2% for the County, 4.2% for the State, and 3.6% for the United States.

The County has a diverse mix of employers and industries, as shown in the table below, which lists the top 25 employers in the County as of September 2022.
San Diego County
Top 25 Employers — 2022

1. Qualcomm
2. San Diego Unified School District
3. County of San Diego
4. Sempra Energy
5. Sharp Healthcare
6. City of San Diego
7. PriceSmart
8. General Atomics
9. Charlotte Russe
10. Illumina
11. Teradata
12. Encore Capital Group
13. Resmed
14. Jack In The Box
15. 24 Hour Fitness
16. Trucept
17. Albuquerque Property Management
18. DexCom
20. Viasat
21. Scripps Health
22. Aya Healthcare
23. Guild Mortgage
24. YMCA of San Diego
25. Quidelortho Corporation

Source: D&B Hoovers — Largest Parent Companies Based in San Diego: Ranked by number of employees, retrieved as of September 13, 2022.

Market Environment

There are currently no other hospitals located within Palomar Health’s primary service area, but Kaiser is building a hospital in San Marcos that is scheduled to open in 2024. Outpatient facilities of hospitals that compete with Palomar Health for patients and offices of physicians who are on the medical staff of competing hospitals are located within Palomar Health’s service area. In addition, there are other hospitals on the periphery of Palomar Health’s service area, as shown on the map under “— Service Area” above.

The table below shows acute and intensive care patient discharges in Palomar Health’s service area for calendar years 2020, 2019 and 2018, which is the most current information available from the State Department of Health Care Access and Information. Included in the table are the number of discharged patients who reside in Palomar Health’s service area and the hospitals from which such patients were discharged.
<table>
<thead>
<tr>
<th>Hospital</th>
<th>Miles from Closest Palomar Health Hospital</th>
<th>2020</th>
<th>Market Share</th>
<th>2019</th>
<th>Market Share</th>
<th>2018</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMC Escondido</td>
<td>N/A</td>
<td>20,897</td>
<td>17.0%</td>
<td>24,271</td>
<td>18.2%</td>
<td>23,497</td>
<td>17.8%</td>
</tr>
<tr>
<td>PMC Poway</td>
<td>N/A</td>
<td>5,405</td>
<td>4.4%</td>
<td>6,214</td>
<td>4.7%</td>
<td>6,055</td>
<td>4.6%</td>
</tr>
<tr>
<td>Palomar Health Hospitals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scripps Memorial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospital — La Jolla</td>
<td>18</td>
<td>10,282</td>
<td>8.4%</td>
<td>10,484</td>
<td>7.9%</td>
<td>10,184</td>
<td>7.7%</td>
</tr>
<tr>
<td>Kaiser Foundation</td>
<td>18</td>
<td>5,507</td>
<td>4.5%</td>
<td>5,533</td>
<td>4.1%</td>
<td>5,345</td>
<td>4.0%</td>
</tr>
<tr>
<td>Hospital — San Diego</td>
<td>16</td>
<td>9,891</td>
<td>8.1%</td>
<td>11,203</td>
<td>8.4%</td>
<td>12,540</td>
<td>9.5%</td>
</tr>
<tr>
<td>Tri-City Medical Center</td>
<td>18</td>
<td>3,777</td>
<td>3.1%</td>
<td>4,465</td>
<td>3.3%</td>
<td>4,352</td>
<td>3.3%</td>
</tr>
<tr>
<td>Rady Children’s Hospital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— San Diego</td>
<td>22</td>
<td>6,192</td>
<td>5.1%</td>
<td>7,300</td>
<td>5.5%</td>
<td>7,306</td>
<td>5.5%</td>
</tr>
<tr>
<td>Sharp Mary Birch</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospital For Women</td>
<td>22</td>
<td>3,616</td>
<td>2.9%</td>
<td>3,884</td>
<td>2.9%</td>
<td>4,281</td>
<td>3.2%</td>
</tr>
<tr>
<td>Sharp Memorial Hospital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of San Diego</td>
<td>21 &amp; 28</td>
<td>8,642</td>
<td>7.1%</td>
<td>8,278</td>
<td>6.2%</td>
<td>8,027</td>
<td>6.1%</td>
</tr>
<tr>
<td>Health (Hillcrest, Thornton and Jacobs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scripps Memorial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospital — Encinitas</td>
<td>21</td>
<td>12,517</td>
<td>10.2%</td>
<td>12,617</td>
<td>9.5%</td>
<td>12,681</td>
<td>9.6%</td>
</tr>
<tr>
<td>Scripps Mercy Hospital</td>
<td>20</td>
<td>1,228</td>
<td>1.0%</td>
<td>1,464</td>
<td>1.1%</td>
<td>1,565</td>
<td>1.2%</td>
</tr>
<tr>
<td>All Other Hospitals</td>
<td>N/A</td>
<td>31,014</td>
<td>25.2%</td>
<td>33,383</td>
<td>25.0%</td>
<td>32,204</td>
<td>24.4%</td>
</tr>
<tr>
<td>Total Discharges</td>
<td></td>
<td>122,580</td>
<td>100%</td>
<td>133,391</td>
<td>100%</td>
<td>132,070</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Department of Health Care Access and Information Discharge Data Set.

(1) Discharges of Palomar Health in this table do not match data under “— Utilization” because the data in this table are reported on a calendar year basis and data under “— Utilization” are reported on Palomar Health’s fiscal year basis. Columns may not total correctly due to rounding. Excludes normal newborns.

(2) Most current year data available. 2021 Data is not yet available from the State.

(3) Three hospitals, Loma Linda, Southwest Healthcare (Murrieta) and Temecula Valley Hospital, have a market share greater than 1%. All other facilities in this group have a market share less than 1%.

A significant portion of patient admissions at Palomar Health and other hospitals in the County is based upon relationships and contracts among various managed care networks and the hospitals. See “HISTORICAL FINANCIAL INFORMATION — Sources of Patient Revenue” herein for data with respect to Palomar Health’s payor mix.
Utilization

The table below presents selected combined utilization statistics for Palomar Health for its fiscal years ended June 30, 2022, 2021 and 2020.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2022</td>
</tr>
<tr>
<td>Acute Beds</td>
<td></td>
</tr>
<tr>
<td>Licensed/Available Beds</td>
<td>389</td>
</tr>
<tr>
<td>Patient Days</td>
<td>109,572</td>
</tr>
<tr>
<td>Discharges</td>
<td>23,784</td>
</tr>
<tr>
<td>Average Length of Stay (in days)</td>
<td>4.61</td>
</tr>
<tr>
<td>Occupancy Rate</td>
<td>77%</td>
</tr>
<tr>
<td>Emergency Room Visits</td>
<td>120,043</td>
</tr>
<tr>
<td>Home Health Visits</td>
<td>62,239</td>
</tr>
<tr>
<td>Surgeries — Inpatient</td>
<td>5,584</td>
</tr>
<tr>
<td>Surgeries — Outpatient</td>
<td>5,934</td>
</tr>
<tr>
<td>Deliveries</td>
<td>4,012</td>
</tr>
<tr>
<td>Skilled Nursing Beds</td>
<td></td>
</tr>
<tr>
<td>Licensed/Available Beds</td>
<td>129</td>
</tr>
<tr>
<td>Patient Days</td>
<td>37,078</td>
</tr>
<tr>
<td>Occupancy Rate</td>
<td>79%</td>
</tr>
<tr>
<td>Adjusted Discharges(1)</td>
<td>39,596</td>
</tr>
</tbody>
</table>

Source: Palomar Health.

(1) Adjusted discharges is a weighted calculation that factors in all Palomar Health services, inpatient and outpatient.

HISTORICAL FINANCIAL INFORMATION

Summary of Historical Financial Data

The condensed financial information presented below provides information for Palomar Health, which includes their blended component units, PHMG and Health Development, for each of the fiscal years ended June 30, 2022, 2021 and 2020. The financial information for the fiscal years ended June 30, 2022, 2021 and 2020 has been derived by Palomar Health’s management from the audited financial statements as filed with the Municipal Securities Rulemaking Board through its electronic municipal market access (“EMMA”) system and included in APPENDIX B to this Official Statement. The following summary financial information should be read in conjunction with the section herein titled “MANAGEMENT’S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE”, and the audited financial statements and related notes that appear in APPENDIX B to this Official Statement.

The financial information of Palomar Health in this section “HISTORICAL FINANCIAL INFORMATION” includes the financial results of PHMG and Health Development. Only Palomar Health and PHMG are Members of the Obligated Group. Health Development is not an Obligated Group Member, and none of the assets or revenues of Health Development is pledged to secure payments with respect to the 2022 Certificates described in this Official Statement. For the fiscal year ended June 30, 2022, Health Development, in the aggregate, generated none of the operating revenue of Palomar Health and its blended
component units and 1.7% of the income from operations and represented 0.7% of the total net position of Palomar Health and its blended component units.

For a discussion of certain risks related to the operations of Palomar Health that could adversely impact Palomar Health’s operating financial performance, see the description of risks and considerations relating to an investment in the 2022 Certificates in the front part of this Official Statement.
## Palomar Health
### Condensed Statements of Net Position

(Dollars in thousands)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As of June 30,</td>
<td>2022</td>
<td>2021(1)</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td>541,645</td>
<td>569,159</td>
</tr>
<tr>
<td>Capital assets</td>
<td></td>
<td>978,371</td>
<td>969,786</td>
</tr>
<tr>
<td>Right of Use assets</td>
<td></td>
<td>245,554</td>
<td>257,661</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td></td>
<td>144,023</td>
<td>142,750</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>1,909,593</td>
<td>1,939,356</td>
</tr>
<tr>
<td>Deferred outflow of resources — loss on refunding of debt</td>
<td></td>
<td>50,800</td>
<td>53,564</td>
</tr>
<tr>
<td>Total ASSETS AND DEFERRED OUTFLOW OF RESOURCES</td>
<td></td>
<td>1,960,393</td>
<td>1,992,920</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td>232,504</td>
<td>234,251</td>
</tr>
<tr>
<td>Workers’ compensation — net of current portion</td>
<td></td>
<td>5,371</td>
<td>4,072</td>
</tr>
<tr>
<td>Medicare Accelerated Payments, net</td>
<td></td>
<td>-</td>
<td>18,837</td>
</tr>
<tr>
<td>General Obligation Bonds, net</td>
<td></td>
<td>641,741</td>
<td>643,549</td>
</tr>
<tr>
<td>Lease Obligation, net</td>
<td></td>
<td>250,725</td>
<td>258,065</td>
</tr>
<tr>
<td>Fair value of interest rate swap</td>
<td></td>
<td>12,587</td>
<td>25,739</td>
</tr>
<tr>
<td>Long-term debt — net of current portion</td>
<td></td>
<td>614,174</td>
<td>631,038</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>1,767,102</td>
<td>1,815,551</td>
</tr>
<tr>
<td>Deferred inflow of resources — unearned revenue</td>
<td></td>
<td>44,228</td>
<td>47,580</td>
</tr>
<tr>
<td>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</td>
<td></td>
<td>1,811,330</td>
<td>1,863,131</td>
</tr>
<tr>
<td>Invested in capital assets — net of related debt</td>
<td></td>
<td>(198,330)</td>
<td>(173,322)</td>
</tr>
<tr>
<td>Restricted, expendable for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of debt</td>
<td></td>
<td>31,727</td>
<td>25,295</td>
</tr>
<tr>
<td>Capital acquisitions</td>
<td></td>
<td>20,223</td>
<td>9,028</td>
</tr>
<tr>
<td>Other purposes</td>
<td></td>
<td>353</td>
<td>353</td>
</tr>
<tr>
<td>Unrestricted</td>
<td></td>
<td>295,090</td>
<td>268,435</td>
</tr>
<tr>
<td>Total net position</td>
<td></td>
<td>149,063</td>
<td>129,789</td>
</tr>
<tr>
<td>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</td>
<td></td>
<td>1,960,393</td>
<td>1,992,920</td>
</tr>
</tbody>
</table>

(1) Palomar Health adopted GASB 87, which is a new lease accounting standard issued by the Government Accounting Standards Board, for the fiscal year ended June 30, 2022. For purposes of the audited financial statements for the fiscal year ended June 30, 2022, which are included as Appendix B to this Official Statement, financial information for the fiscal year ended June 30, 2021 has been restated to conform to the presentation for the fiscal year ended June 30, 2022. As a result of this restatement, information for Palomar Health for the fiscal year ended June 30, 2021 that is available on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system may not conform to the presentation in this Official Statement. Management of Palomar Health has determined that any differences are immaterial.
## Palomar Health

### Condensed Statements of Revenue, Expenses and Changes in Net Position

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
<th>2022</th>
<th>2021⁽¹⁾</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUE:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$795,891</td>
<td>$728,947</td>
<td>$670,918</td>
</tr>
<tr>
<td>Shared risk revenue</td>
<td>99,990</td>
<td>97,614</td>
<td>82,625</td>
</tr>
<tr>
<td>Other revenue</td>
<td>17,195</td>
<td>16,340</td>
<td>12,385</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>913,076</td>
<td>842,901</td>
<td>765,928</td>
</tr>
</tbody>
</table>

| **OPERATING EXPENSES**    | 900,884 | 834,308 | 797,754 |

| **INCOME (LOSS) FROM OPERATIONS** | 12,190 | 8,593 | (31,826) |

| **NONOPERATING INCOME (EXPENSE):** |      |        |      |
| Investment income             | (5,490) | (267) | 6,762 |
| Unrealized gain (loss) on interest rate swap | 13,152 | 9,445 | (9,643) |
| Interest expense              | (74,713) | (68,981) | (63,190) |
| Property tax revenue — unrestricted | 20,184 | 19,319 | 18,356 |
| Property tax revenue — restricted | 44,402 | 39,851 | 28,873 |
| Other — net                   | 9,549 | 4,918 | 18,866 |
| **Total nonoperating expense — net** | 7,084 | 4,285 | 24 |

| **CHANGE IN NET POSITION** | 19,274 | 12,878 | (31,802) |

| **NET POSITION — Beginning of Year** | 129,789 | 116,911 | 148,713 |

| **NET POSITION — End of Year** | $149,063 | $129,789 | $116,911 |

⁽¹⁾ Palomar Health adopted GASB 87 for the fiscal year ended June 30, 2022. For purposes of the audited financial statements for the fiscal year ended June 30, 2022, which are included as Appendix B to this Official Statement, financial information for the fiscal year ended June 30, 2021 has been restated to conform to the presentation for the fiscal year ended June 30, 2022. As a result of this restatement, information for Palomar Health for the fiscal year ended June 30, 2021 that is available on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system may not conform to the presentation in this Official Statement. Management of Palomar Health has determined that any differences are immaterial.

### Sources of Patient Revenue

The following is a summary of gross patient revenue of Palomar Health by payor source for each of its fiscal years ended June 30, 2022, 2021 and 2020.
### Fiscal Year Ended June 30, 2022

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEDICARE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare Traditional</td>
<td>23%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Medicare Managed Care</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Medicare Shared Risk</td>
<td>8%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>MEDI-CAL (Medicaid)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medi-Cal Traditional</td>
<td>7%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Medi-Cal Managed Care</td>
<td>15%</td>
<td>17%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>COMMERCIAL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed Care</td>
<td>15%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Managed Care Shared Risk</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Indemnity</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>OTHER</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Palomar Health.
Note: Columns may not total exactly due to rounding.

Payments on behalf of certain patients are made to Palomar Health by the federal government under the Medicare program, by the federal government and the State under the Medicaid program (known as Medi-Cal in California), by managed care entities and other contracted rate payors (including HMOs and preferred provider organizations), and by self-paying patients. Palomar Health has non-capitated contracts with more than 35 health insurance entities. Differing methods for the reimbursement of hospital services are utilized by third-party payors. Most negotiated contracts are on a fee-for-service, case rate, per diem or discount from charges basis. Palomar Health currently contracts with Sharp Health Plan and United Healthcare, along with Palomar Health Medical Group and Sharp Community Medical Group, on a shared risk capitated basis for select Commercial and Medicare Advantage products. Based on the contracts Palomar Health has in place as of the date of this Official Statement, Palomar Health realizes gross revenue of approximately $103 million annually. These contracts are scheduled to expire in January 2023, with respect to Sharp Health Plan, and January 2023, with respect to United HealthCare, and are currently under renegotiation. There can be no guarantee that rates negotiated in the future will be similar to the rates in effect as of the date of this Official Statement. For a discussion of Medicare, Medi-Cal and other managed care programs that contract with Palomar Health, see the discussion under the caption “— Health Care Reform Laws or Challenges to the Affordable Care Act Could Negatively Impact Financial Condition” in the description of risks and considerations relating to an investment in the 2022 Certificates in the front part of this Official Statement. There is no material exposure to any particular commercial payors.

Because Palomar Health is a local health care district, it does not participate in the California Hospital Fee Program that began in September 2010, but Palomar Health participates in other programs that draw down governmental funds that, in turn, are used to make supplemental payments to certain qualifying hospitals. In addition, Palomar Health, as a non-designated public hospital, has received direct grants through the California Hospital Fee Program. For a discussion of the supplemental payments
received by Palomar Health, including through intergovernmental transfers and the California Hospital Fee Program, among others, see Note 2 to the audited financial statements included as Appendix B.

Unrestricted Property Tax Revenues

Palomar Health derives certain unrestricted property tax revenues (the “Unrestricted Property Tax Revenues”) from a share of property taxes levied by the County on the assessed value of real property in Palomar Health’s boundaries as a political subdivision. These property taxes levied by the County are subject to the provisions of Article XIII A of the California Constitution, are apportioned according to State statutes and may be used by Palomar Health to fund ongoing operations as well as capital acquisitions. The aggregate of Unrestricted Property Tax Revenues collected during the fiscal years ended June 30, 2022, 2021 and 2020 was $20.2 million, $19.3 million and $18.4 million, respectively. See the “Condensed Statements of Revenue, Expenses and Changes in Net Position” shown above.

These Unrestricted Property Tax Revenues are in addition to, and are separate from, the ad valorem tax revenues resulting from the separate tax levy that is pledged solely to the payment of principal of and interest on the general obligation bonds (the “GO Bonds”) issued by Palomar Health. For a list of GO Bonds, see the table under the caption “MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE — Outstanding Long-Term Debt” herein.

MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE

Management’s Discussion and Analysis of Historical Performance

The information in this section — “Management’s Discussion and Analysis of Historical Performance” should be read in conjunction with the management’s discussion and analysis accompanying the audited financial statements included in Appendix B. Unless otherwise noted, the following discussion in this section “— Management’s Discussion and Analysis of Historical Performance” addresses the historical financial performance of Palomar Health, which includes PHMG and Health Development, and references in this section to the “District” refer to Palomar Health. Only Palomar Health and PHMG are Members of the Obligated Group. None of the assets or revenues of Health Development are pledged to secure payments with respect to the 2022 Certificates described in this Official Statement. All of the amounts and percentages discussed in this subsection have been rounded.

Impact of COVID-19 and Recovery. The primary impact of the COVID-19 pandemic on Palomar Health occurred in the fiscal year ended June 30, 2020. During that year, Palomar reported $45.7 million lost revenues. Palomar Health received $20.0 million in CARES Act relief funds during that period. Palomar Health timely submitted the audited special report required under the provisions of the CARES Act. During the fiscal years ended June 30, 2021 and 2022, Palomar Health received $3 million and $2.8 million, respectively, in CARES Act funding. All required CARES Act reports have been timely filed.

During fiscal year 2020, Palomar Health also received $55.6 million in Medicare Accelerated payments. Palomar Health repaid $4.8 million and $29.7 million of these funds in fiscal years 2021 and 2022, respectively. The remaining balance of $21.1 million is scheduled to be repaid in fiscal year 2023.

The volume of COVID-19 inpatients admitted to Palomar Health in fiscal year 2023 is averaging less than 20 per day. Most of these patients are not being admitted for treatment of COVID-19, they are being admitted for other reasons and test positive for COVID-19 during the admission process.

Fiscal Year Ended June 30, 2022 Compared to Fiscal Year Ended June 30, 2021. For the fiscal year ended June 30, 2022, the District reported net patient service revenue totaling $795.9 million, in
comparison to $728.9 million for fiscal year 2021. The $66.9 million (9.2%) growth from fiscal year 2021 to fiscal year 2022 resulted from improved pricing from payor contracts, additional revenue cycle management programs focusing on limiting preventive claim denials and case management initiatives. Over these fiscal years, the District continued to improve managed care payor agreements and assume more risk through arrangements with its affiliated medical groups and various health plans. Additionally, consistency in volumes, market share and payor mix contributed to the steady increases. Uncompensated care approximated 1.8% of revenues. As noted in the table under the heading “HISTORICAL FINANCIAL INFORMATION—Sources of Patient Revenue” above, payor mix remained relatively consistent over the two fiscal year periods.

For the fiscal year ended June 30, 2022, the District reported revenue earned on shared risk contracts of $100.0 million in comparison to $97.6 million for fiscal year 2021. Shared risk contracts were concentrated during the fiscal year ended June 30, 2022, with Sharp Health Plan Commercial (10,627 lives) and Sharp Health Plan Medicare Advantage (564 lives), and UnitedHealthcare Commercial (5,177 lives) and UnitedHealthcare Medicare Advantage (12,587 lives), which involve risk-sharing arrangements with PHMG and SCMG. During fiscal years 2019 and 2020, the District exited a number of unfavorable shared risk capitation arrangements with health plans, converted those to fee-for-service reimbursement arrangements with the health plans, and renegotiated the remaining shared risk capitation arrangements. This resulted in improved financial performance for the District under the remaining joint capitation arrangements.

Inpatient acute occupancy was 77% and 77% for fiscal years 2022 and 2021, respectively. During the fiscal years ended June 30, 2022, and June 30, 2021, skilled nursing care inpatient occupancy averaged 77%. Outpatient revenue cumulative growth was 13.1% for fiscal years 2022 and 2021. Successful outreach strategies and investment in key outpatient technologies and programs have contributed to this growth.

The District receives a share of Unrestricted Property Tax Revenues levied by the County, as discussed under “HISTORICAL FINANCIAL INFORMATION—Unrestricted Property Tax Revenues” herein. Growth of such revenues reflects continued population growth and increasing assessed valuation. Unrestricted Property Tax Revenues are separate and apart from the ad valorem property taxes collected from the separate tax levy that is pledged solely to the repayment of the GO Bonds. Unrestricted Property Tax Revenues have been $20.2 million and $19.3 million for fiscal years 2022 and 2021, respectively.

Salaries, wages, contract labor and benefits for the fiscal year ended June 30, 2022, totaled $556.4 million, as compared to $485.3 million in fiscal year 2021. The 14.7% increase in fiscal year 2022 was driven by PHMG’s acquisition of Graybill Medical Group, as well as increased costs related to the industry nursing shortage. Salaries, wages, contract labor and benefits have ranged from 60.9% to 57.6% of total operating revenues over fiscal years 2022 and 2021. The majority of wage increases is attributed to continued staffing shortages and wage increases to remain competitive in the market. Costs related to registry (temporary agency for nurses) were $35.6 million and $11.0 million for fiscal years 2022 and 2021, respectively. Unionized employees represent approximately two-thirds of the District’s total workforce. Registered nurses have been represented by California Nurses Association since June 2003, while the other portions of the unionized workforce have been represented by California Healthcare Employees Union. On May 31, 2021, both union contracts expired and the parties negotiated contract extensions. On February 28, 2022, both contracts expired with no additional extension, and active negotiations continued through June 21, 2022, covering pay rates, benefits, staffing levels and health and safety issues. New contracts have been executed. For a description, see “OTHER INFORMATION—Employees and Labor Relations” herein.
The District has a defined contribution pension plan. Currently, the District contribution rate is 6%. The plan is fully funded and investments are individually managed by the employee based upon the plan options. Health and welfare benefits, consisting of point-of-service and HMO options, are acquired from third-party insurers.

Supplies expense for the fiscal year ended June 30, 2022, totaled $116.7 million, as compared to $110.2 million in fiscal year 2021. The District continued utilizing a group purchasing organization affiliation with Vizient and the Captis (formerly known as Upper Midwest Consolidated Service Center) network through September 2021. In October 2021, the District switched to the HealthTrust Purchasing Group to drive additional savings. The 4.9% increase in fiscal year 2022 was due to inflation of pharmacy costs coupled with increased volume in higher cost surgeries and emergency department visits.

Purchased services for the fiscal year ended June 30, 2022, totaled $81.4 million, as compared to $82.3 million for fiscal year 2021. The 1.1% decrease from 2021 to 2022 was due to bringing previously outsourced services in-house.

For the fiscal year ended June 30, 2022, the District reported professional fees of $45.7 million, as compared to $50.3 million for fiscal year 2021. The 9.2% reduction in professional fees from fiscal year 2021 to fiscal year 2022 is related to the closure of a patient care unit, as well as reduced legal fees resulting from several settlements, including the favorable settlement of a managed care contract.

For the fiscal year ended June 30, 2022, depreciation and amortization expense increased by approximately 1.1%, from $52.3 million for fiscal year 2021 to $53.2 million for fiscal year 2022. The net increase was mainly due to asset additions and projects, for which construction in progress funds had been held, placed in service and the associated increase in depreciation expense of $0.6 million from fiscal year 2021 to fiscal year 2022.

The provision for uncompensated care (bad debt, charity, and undocumented), which is netted in patient service revenue, for fiscal year 2022 totaled $83.8 million (1.8% of gross revenue), as compared to $95.7 million (2.1% of gross revenue) for fiscal year 2021.

Interest expense attributable to the Existing Revenue Obligations totaled $74.7 million for fiscal year 2022 and $69.0 million for fiscal year 2021. For a list of Existing Revenue Obligations, see the table under the caption “— Outstanding Long-Term Debt” below. For fiscal year 2022, the unrealized gain on interest rate swaps was $13.2 million, and in fiscal year 2021, the unrealized gain on interest rate swaps was $9.4 million. See “— Outstanding Swap Transactions” below.

Investment income for the fiscal year ended June 30, 2022, totaled $(5.5 million), in comparison to $(0.3 million) in fiscal year 2021. The District’s investment policies and practices have remained consistent and are subject to State statutory restrictions prohibiting equity investments and limiting maturities to less than five years. Increasing interest rates resulted in realized and unrealized losses on fixed rate securities purchased when market interest rates were lower.

Fiscal Year Ended June 30, 2021 Compared to Fiscal Year Ended June 30, 2020. For the fiscal year ended June 30, 2021, the District reported net patient service revenue totaling $728.9 million, in comparison to $670.9 million for the fiscal year ended June 30, 2020. The $58.0 million (9%) growth from fiscal year 2020 to fiscal year 2021 resulted from improved pricing from payor contracts and additional revenue cycle management programs.

For the fiscal year ended June 30, 2021, the District reported revenue earned on shared risk contracts of $97.6 million, in comparison to $82.6 million for the fiscal year ended June 30, 2020.
Salaries, wages, contract labor and benefits for the fiscal year ended June 30, 2021, totaled $485.0 million, as compared to $459.0 million in the fiscal year ended June 30, 2020. The $26 million (or 5.6%) increase in fiscal year 2021 was a result of a continued shortage of nursing labor statewide and program growth after the initial COVID-19 pandemic service suspensions. Costs related to registry (temporary agency for nurses) were $11.0 million and $10.2 million for fiscal years 2021 and 2020, respectively.

The District is taking measures to minimize the impact of the industry nursing shortage. For many years, Palomar Health has partnered with local nursing schools to provide educational opportunities for students. In addition, Palomar Health offers expanded development and training opportunities to increase skills for existing personnel to seek opportunities within the District and has increased budgeted training for new graduates to further support the needed workforce. Notably, the District remains an employer of choice.

Supplies expense for the fiscal year ended June 30, 2021, totaled $110.2 million, as compared to $106.2 million in the fiscal year ended June 30, 2020. Supplies increased 3.7% in fiscal year 2021, as compared to fiscal year 2020, as a result of COVID-19-related supply services.

Purchased services for the fiscal year ended June 30, 2021, totaled $82.3 million, as compared to $87.6 million for the fiscal year ended June 30, 2020. The 6.0% decrease in fiscal year 2021 was due to a decrease in fees for COVID-19 lab-related testing.

For the fiscal year ended June 30, 2021, the District reported professional fees of $50.3 million, as compared to $49.8 million for the fiscal year ended June 30, 2020. The 0.9% increase in fiscal year 2021 was due to an increase in legal fees surrounding a managed care contract.

The provision for uncompensated care (bad debt, charity, and undocumented), which is netted in patient service revenue, for fiscal year 2021 totaled $95.7 million (2.1% of gross revenue), as compared to $84.7 million (2.0% of gross revenue) for fiscal year 2020.

Operating EBIDA for Fiscal Years Ended June 30, 2022, 2021 and 2020. Income from operations, inclusive of Unrestricted Property Tax Revenues and exclusive of depreciation ("Operating EBIDA"), is as follows for the fiscal years ended June 30, 2022, 2021 and 2020:

<table>
<thead>
<tr>
<th>(Dollars in thousands)(^{(1)})</th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2022</td>
</tr>
<tr>
<td>Income (loss) from operations</td>
<td>$12,190</td>
</tr>
<tr>
<td>Add: Depreciation and</td>
<td></td>
</tr>
<tr>
<td>Amortization Expense</td>
<td>53,150</td>
</tr>
<tr>
<td>Add: Unrestricted Property Tax</td>
<td></td>
</tr>
<tr>
<td>Revenue(^{(2)})</td>
<td>20,184</td>
</tr>
<tr>
<td>Operating EBIDA</td>
<td>$85,524</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Includes the results of Palomar Health, PHMG and Health Development. The financial performance of Health Development is immaterial to the financial performance of Palomar Health.

\(^{(2)}\) Property tax revenue — GO Bonds have not been included in Operating EBIDA as these revenues are restricted for repayment of the GO Bonds.

Palomar Health presents the above non-GAAP financial measure because it believes that it is a useful indicator of its operating performance. Palomar Health believes that Operating EBIDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to
measure a company’s operating performance without regard to items such as interest expense and depreciation and amortization, which can vary substantially from company to company.

**Outstanding Long-Term Debt**

Palomar Health has previously issued and has outstanding: (i) General Obligation Bonds, which are payable from *ad valorem* taxes without limitation as to rate or amount (collectively, the “GO Bonds,” with each series bearing a year corresponding with the year in which such GO Bonds were issued); and (ii) other indebtedness that is secured under the Master Indenture and payable generally from the Obligated Group’s gross operating revenues (collectively, the “Revenue Obligations,” with each series bearing a year corresponding with the year in which such Revenue Obligations were issued or were executed and delivered). The 2010 GO Bonds, the 2009 GO Bonds and certain of the 2007 GO Bonds were issued as non-callable capital appreciation bonds. The 2006 Certificates/Revenue Obligations were executed and delivered and are outstanding as auction rate securities and have interest rates that are determined by weekly auctions. All GO Bonds and all other outstanding Revenue Obligations are fixed rate obligations.

The outstanding Revenue Obligations and the 2022 Certificates (which will be Revenue Obligations) are payable from gross operating revenues of the Obligated Group and are not secured by *ad valorem* taxes. The voters of Palomar Health approved $496 million of GO Bonds at a November 2, 2004, election. The GO Bonds are payable from and secured by a pledge of *ad valorem* tax required to be levied by the County, without limitation as to rate or amount, upon all property subject to taxation by Palomar Health (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on such GO Bonds.

The following table sets forth the aggregate principal amount of the Obligated Group’s outstanding Revenue Obligations as of June 30, 2022, and the aggregate principal amount of the Obligated Group’s Revenue Obligations after giving effect to the execution and delivery of the 2022 Certificates and the application of the proceeds thereof as described in “PLAN OF FINANCE” in the forepart of this Official Statement.

The following table also sets forth the aggregate principal amount of GO Bonds outstanding as of June 30, 2022. The principal amounts in the following table do not include premium, discount, net unamortized loss on defeasance or, with respect to capital appreciation bonds, accrued interest.
June 30, 2022

<table>
<thead>
<tr>
<th>Actual Aggregate Principal Amount</th>
<th>Pro Forma Aggregate Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Obligations</strong></td>
<td></td>
</tr>
<tr>
<td>2006 Certificates/Revenue Obligations</td>
<td>$180,000,000</td>
</tr>
<tr>
<td>Series 2016 Revenue Bonds/Revenue Obligations</td>
<td>246,750,000</td>
</tr>
<tr>
<td>Series 2017 Refunding Revenue Bonds/Revenue Obligations</td>
<td>151,460,000</td>
</tr>
<tr>
<td>2017 Certificates/Revenue Obligations</td>
<td>60,100,000</td>
</tr>
<tr>
<td>2021 Certificates</td>
<td>28,175,000</td>
</tr>
<tr>
<td>2022 Certificates</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue Obligations</strong></td>
<td>$666,485,000</td>
</tr>
<tr>
<td><strong>GO Bonds</strong></td>
<td></td>
</tr>
<tr>
<td>2007 GO Bonds¹(²)</td>
<td>$241,083,319</td>
</tr>
<tr>
<td>2009 GO Bonds(²)</td>
<td>110,000,000</td>
</tr>
<tr>
<td>2010 GO Bonds¹(²)</td>
<td>64,916,679</td>
</tr>
<tr>
<td>Series 2016 GO Bonds</td>
<td>212,970,000</td>
</tr>
<tr>
<td><strong>Total GO Bonds¹</strong></td>
<td>$628,969,998</td>
</tr>
<tr>
<td><strong>TOTAL LONG-TERM DEBT¹</strong></td>
<td>$1,295,454,998</td>
</tr>
</tbody>
</table>

* Preliminary, subject to change.

(1) Rounded to the nearest dollar.

(2) With respect to the 2010 GO Bonds, the 2009 GO Bonds and a portion of the 2007 GO Bonds that are capital appreciation bonds, represents initial aggregate principal amount. See Footnote 10 in APPENDIX B — “AUDITED FINANCIAL STATEMENTS OF PALOMAR HEALTH” for a discussion of the accreted interest with respect to the 2010 GO Bonds, the 2009 GO Bonds and the 2007 GO Bonds that are capital appreciation bonds.

Outstanding Swap Transactions

In connection with the original execution and delivery of the 2006 Certificates/Revenue Obligations, Palomar Health entered into an interest rate swap agreement with respect to each of the three series of the 2006 Certificates (collectively, the “Swaps”), each with Citibank, N.A., New York (the “Swap Provider”), each of which became effective on December 28, 2006. The Swaps are expected to be terminated on or prior to the execution and delivery of the 2022 Certificates/Revenue Obligations. See “PLAN OF FINANCE” in the forepart of this Official Statement. For a discussion of the Swaps, see Footnote 11 in APPENDIX B — “AUDITED FINANCIAL STATEMENTS OF PALOMAR HEALTH.”

Capital Planning

As described in the front part of this Official Statement under the caption “PLAN OF FINANCE” and under the caption “FACILITIES, SERVICES AND MEDICAL STAFF – The Projects” in this Appendix A, Palomar Health intends to finance certain capital projects with a portion of the proceeds of the 2022 Certificates. Palomar Health otherwise is not currently contemplating significant future capital expenditures. Historically, Palomar Health has funded its significant growth with a combination of existing investments, current year cash flow and proceeds of revenue obligations and general obligation bonds. Except for the projects expected to be financed with a portion of the proceeds of the 2022 Certificates, Palomar Health intends to fund ongoing renewals and replacements with Board-designated funds and cashflow from operations.
Liquidity and Capital Resources

The unrestricted liquidity position of Palomar Health as of June 30, 2022, was $255 million, including $253 million in operating cash and $280 million in unrestricted investments stated at fair market value. The available liquidity of $253 million represents a $39 million decrease over the $292 million in available liquidity as of June 30, 2021, and equaled 134% of the total outstanding debt as of June 30, 2022 (excluding the GO Bonds, which are paid from ad valorem property taxes), as compared to available liquidity representing 16% of total outstanding debt as of June 30, 2022. In addition to the referenced available liquidity, Palomar Health’s capital resources include: (i) an annually renewed Palomar Health Board designated fund for capital improvements of $79.0 million and $30.0 million for fiscal years 2022 and 2021, respectively, to be used for Palomar Health and not any related entity and (ii) cash held in escrow for street improvements in the amount of $6.4 million as of June 30, 2022, and $9.0 million as of June 30, 2021. There were unused capital improvement funds of $25.0 million and $8.7 million for fiscal years ended June 30, 2022, and 2021, respectively.

The following table sets forth the days’ cash on hand for Palomar Health as of June 30, 2022, 2021 and 2020.

<table>
<thead>
<tr>
<th>Days Cash on Hand(1)</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dollars in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of June 30,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, Cash Equivalents and Investments</td>
<td>$252,941</td>
<td>$292,404</td>
<td>$302,348</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>900,886</td>
<td>834,702</td>
<td>797,754</td>
</tr>
<tr>
<td>Less: Depreciation and Amortization</td>
<td>53,150</td>
<td>52,594</td>
<td>42,999</td>
</tr>
<tr>
<td>Adjusted Expense</td>
<td>$847,736</td>
<td>$781,714</td>
<td>$754,755</td>
</tr>
<tr>
<td>Divided by Days in Period</td>
<td>365</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>Divided by Daily Expense</td>
<td>$2,323</td>
<td>$2,142</td>
<td>$82,062</td>
</tr>
<tr>
<td>Days Cash on Hand(2)</td>
<td>108.9</td>
<td>150.6</td>
<td>146.6</td>
</tr>
</tbody>
</table>

(1) Days Cash on Hand is a ratio used to determine the number of days an organization can pay its operating expenses, given the cash available.
(2) Unrestricted Cash and Investments and Board Designated Investments, divided by Daily Expense.

Capitalization

The following table sets forth the capitalization of Palomar Health as of June 30, 2022. The following table also sets forth the capitalization of Palomar Health as of June 30, 2022, as adjusted to reflect the issuance of the 2022 Certificates and the prepayment of the 2006 Certificates/Revenue Obligations, as if such transactions had occurred June 30, 2022. See “PLAN OF FINANCE” in the forepart of this Official Statement. The financial performance of Health Development, the combined total net assets of which were less than 10% of the net position of Palomar Health in the fiscal year ended June 30, 2022, is included in the calculations in the following table. Capitalization does not include premium, discount or, with respect to capital appreciation bonds, accrued interest. Capitalization is presented excluding Palomar Health’s outstanding GO Bonds because such GO Bonds are payable from and secured by a pledge of ad valorem taxes to be levied and collected by the County on taxable property within Palomar Health’s boundaries. However, Palomar Health is legally required to repay the GO Bonds if such pledged ad valorem taxes are insufficient.
### Historical and Pro Forma Debt Service Coverage of Revenue Obligations

The table below sets forth (i) the maximum annual debt service(1) requirement and the maximum annual debt service coverage ratio on the Existing Revenue Obligations for fiscal years ended June 30, 2022 and 2021 and (ii) the pro forma maximum annual debt service(1) requirement and the pro forma maximum annual debt service coverage ratio on the Existing Revenue Obligations and the 2022 Certificates for the fiscal years ended June 30, 2022, 2021 and 2020, as adjusted to reflect the issuance of the 2022 Certificates and the refunding of the 2006 Certificates as if such transactions had occurred on July 1, 2022. The table below includes Health Development, the combined total net assets of which were less than 10% of the net position of Palomar Health in the fiscal years ended June 30, 2022 and 2021. In addition, the table excludes the GO Bonds because such GO Bonds are or will be, as applicable, payable from, and secured by a pledge of, ad valorem taxes to be levied and collected by the County on taxable property within Palomar Health’s boundaries. Palomar Health is legally required to repay the GO Bonds if ad valorem taxes are insufficient. Palomar Health expects that the GO Bonds issued will be repaid solely from ad valorem taxes.

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2022 Actual</th>
<th>June 30, 2022 Pro Forma*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 Certificates</td>
<td>$130,925</td>
<td>$</td>
</tr>
<tr>
<td>2016 Refunding Revenue Bonds</td>
<td>218,850</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2017 Refunding Revenue Bonds</td>
<td>151,460</td>
<td></td>
</tr>
<tr>
<td>2017 Certificates</td>
<td>56,060</td>
<td></td>
</tr>
<tr>
<td>2021 Certificates</td>
<td>28,715</td>
<td></td>
</tr>
<tr>
<td>2022 Certificates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Long-Term Revenue Obligations and Capital Leases</td>
<td>$585,010</td>
<td>$</td>
</tr>
<tr>
<td>Less: Current Portion of Long-Term Revenue Obligations</td>
<td>14,425</td>
<td></td>
</tr>
<tr>
<td>Long-Term Revenue Obligations, Net of Current Portion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Net Position</td>
<td>570,585</td>
<td></td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>$719,229</td>
<td>$</td>
</tr>
<tr>
<td>Percentage of Long-Term Revenue Obligation, Net of Current Portion, to Total Capitalization</td>
<td>79%</td>
<td>%</td>
</tr>
</tbody>
</table>

* Preliminary, subject to change.
Income Available for Debt Service\(^{(1)}\) | 2022 | 2021 | 2020  
--- | --- | --- | ---  
$89,770 | $77,148 | $54,509  
Maximum Annual Debt Service Requirement\(^{(2)(3)}\) | 2022 | 2021 | 2020  
$40,745 | $40,745 | $39,185  
Maximum Annual Debt Service Coverage Ratio | 2.2 | 1.9 | 1.4  
Pro Forma Maximum Annual Debt Service\(^{(3)(4)}\) | $* | $* | $*  
Pro Forma Maximum Annual Debt Service Coverage\(^{(3)(4)}\) | X* | X* | X*  

* Preliminary, subject to change.

(1) Calculated in accordance with the terms of the Master Trust Indenture, dated as of December 1, 2006, as supplemented to date, among Palomar Health, Arch and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as master trustee, applicable to the Existing Revenue Obligations. Consists of excess revenues over expenses, to which was added depreciation, amortization and interest and from which was excluded unrealized gains and losses with respect to the Swaps.

(2) Maximum annual debt service is assumed to be the maximum debt service payable in any fiscal year based upon actual principal and interest payments on the fixed rate on the Swaps with respect to the 2006 Certificates, as detailed in footnote (3) below, and is net of capitalized interest.

(3) Assumes the 2006 Certificates bear an interest rate of 3.2%, which is the fixed swap rate paid by Palomar Health under the Swaps. The average difference between the interest rate paid by Palomar Health with respect to the 2006 Certificates to the holders thereof and the floating interest rate received by Palomar Health pursuant to the Swaps (i) from execution of the Swaps through June 30, 2022, was 33.1% with respect to the 2006A Certificates, 33.5% with respect to the 2006B Certificates and 33.5% with respect to the 2006C Certificates; and (ii) during the fiscal year ended June 30, 2021, was 33.5% with respect to the 2006A Certificates, 33.1% with respect to the 2006B Certificates, and 33.5% with respect to the 2006C Certificates. See “— Outstanding Swap Transactions” above.

(4) Pro forma data is included to show how the execution and delivery of the 2022 Certificates and application of the proceeds thereof to prepay the 2006 Certificates might have affected Palomar Health if such transactions had occurred in the fiscal year indicated.

**Investment Policy**

Palomar Health may invest in investments permitted under the California Government Code, which include: U.S. Treasuries, U.S. Agency Debt, State of California obligations, the Local Agency Investment Fund maintained by the State, bankers acceptances, commercial paper, certificates of deposit, repurchase agreements, reverse repurchase agreements and money market mutual funds, all with a five year or less maturity. Palomar Health’s investment program is overseen by professional outside investment advisors, who have been retained to manage specific classes of permitted investments.

**Pension and Deferred Compensation Plans**

Since July 1980, Palomar Health has provided a defined contribution retirement plan for employees, under which benefits are limited to amounts accumulated from total contributions by Palomar Health and capital appreciation of the invested amounts as directed by the individual employee. Contributions under the plan by Palomar Health equal 6% of covered employees’ basic compensation after one year of employment and are funded as incurred. Total Palomar Health contributions expensed for its fiscal years ended June 30, 2022 and 2021 were $19.5 million and $20.3 million, respectively.

Effective July 2006, Palomar Health began providing an employer match to the employee deferred compensation plan. Under the plan and subject to a cap of 2% on the amount of compensation deferred, Palomar Health matches up to 50% of the employee’s contribution, based on a variety of factors including length of employment. Prior to July 2006, contributions to the deferred compensation plan were made only by employees who chose to participate. During fiscal years ended June 30, 2022 and 2021, Palomar Health made matching payments of $3.2 million and $3.3 million, respectively.
GOVERNANCE AND MANAGEMENT

Board of Directors

Palomar Health is governed by a seven-member Board of Directors (the “Board”), elected by the eligible voters residing within the boundaries of the Palomar Health district. Board members are elected to four-year terms with no term limitations. If a vacancy occurs mid-term, the Board appoints, by majority vote, a replacement to fill the position until the next election, and the person elected serves the then-remaining term of office.

<table>
<thead>
<tr>
<th>Palomar Health Board Members</th>
<th>Position</th>
<th>Year First Elected</th>
<th>Term Expires December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linda Greer, RN</td>
<td>Chair</td>
<td>2004/2018(1)</td>
<td>2022</td>
</tr>
<tr>
<td>Jeff Griffith, EMT-P</td>
<td>Vice-Chair</td>
<td>2012</td>
<td>2024</td>
</tr>
<tr>
<td>Laura Barry</td>
<td>Treasurer</td>
<td>2020</td>
<td>2024</td>
</tr>
<tr>
<td>Terry Corrales, RN</td>
<td>Secretary</td>
<td>2020</td>
<td>2024</td>
</tr>
<tr>
<td>John Clark</td>
<td>Director</td>
<td>2018</td>
<td>2022</td>
</tr>
<tr>
<td>Laurie Edwards-Tate, MS</td>
<td>Director</td>
<td>2018</td>
<td>2022</td>
</tr>
<tr>
<td>Michael Pacheco</td>
<td>Director</td>
<td>2018(2)</td>
<td>2022</td>
</tr>
</tbody>
</table>

(1) Ms. Greer served on the Board from 2004 to 2014, then was re-elected in 2018.
(2) Mr. Pacheco was appointed in October 2021 after the resignation of another member of the Board, and he is serving the remainder of that term.

The standing committees of the Board include, among others, the following:

- Audit and Compliance
- Community Relations
- Finance
- Governance
- Human Resources
- Quality Review
- Strategic & Facilities Planning

Executive Team

The current executive team of Palomar Health is listed below.

DIANE HANSEN, President and Chief Executive Officer. Diane Hansen was appointed President and Chief Executive Officer in September 2018, after having served as Interim President and Chief Executive Officer since November 2017, Executive Vice President of Finance for Palomar Health since August 2014 and twice serving as the Director of Financial Planning and Decision Support, as well as the Director of Clinical Business Operations. Ms. Hansen has more than 20 years of experience in the health care industry, including for-profit, not-for-profit and governmental acute care hospitals in both academic medical centers and community hospitals. She also has extensive experience in physician networks, insurance providers and consulting, as well as expertise in the areas of strategic and financial planning, decision support, and clinical business operations. Between her two tenures at Palomar Health, Ms. Hansen worked for Indiana University Health as the Director of Financial Operations for the IU Health Physicians (“IUHP”) network and Ambulatory Services. Prior to IUHP, Ms. Hansen worked for WellPoint, Inc., the parent company of Anthem/Blue Cross. Ms. Hansen is a licensed CPA and graduated from the University of Massachusetts Dartmouth with a Bachelor of Science degree in Accounting.
HUGH KING, Chief Financial Officer. Hugh King, who has more than 40 years of experience in the health care industry, including more than 30 years in senior leadership roles, was appointed Chief Financial Officer in April 2022. Mr. King previously served as Chief Financial Officer of Palomar Health from 2017 to 2019, and as interim Chief Financial Officer from 2020 through 2021. His experience includes executive roles in for-profit, non-profit and governmental multi-hospital systems with operations in nine states. For more than four years, he worked for a subsidiary of Community Health Systems, which focused on hospital financial turnarounds. He began his career as a Certified Public Accountant with the firm of Ernst & Young and holds a Bachelor of Science in Business Administration with a major in Accounting from the University of Central Florida and a Master of Business Administration degree from the Cox School of Business at Southern Methodist University.

STEPHANIE BAKER, RN, Chief Operations Officer. Stephanie Baker is a seasoned healthcare executive with more than 30 years of experience in clinical nursing, administration, and management in the areas of emergency, trauma, flight, critical care medicine and support services. As Chief Operations Officer, Ms. Baker oversees the operations of ancillary, support and outpatient services. She is also responsible for managing patient experience, patient throughput, continuum of care, and Population Health. Prior to joining Palomar Health, Ms. Baker was an executive leader with Studer Group/Huron Consulting Group for 16 years, working with hundreds of healthcare organizations to improve patient experience, employee and provider engagement, leadership development, strategic planning and operational efficiency. Ms. Baker received her Bachelor of Science degree in Nursing from San Diego State University and a Master’s in Business Administration degree from the University of Phoenix. She is a Certified Diversity Professional through Cornell University, and a Certified Emergency Nurse through the Emergency Nurses Association.

OMAR KHAWJA, MD, Chief Medical Officer. Omar Khawaja, was named Chief Medical Officer for Palomar Health in 2018. Previously, he served as the Medical Director of the Interventional Platform for Palomar Health, as well as the Medical Director for Supply Chain Services. Dr. Khawaja currently oversees the Interventional Platform and Physician Development for Palomar Health. He received his Doctor of Medicine degree from the University of California San Francisco, completed his residency at the Harvard School of Medicine and earned his Master of Business Administration degree from Pepperdine University. He received his Bachelor of Science degree from San Diego State University. Dr. Khawaja began his medical career in Anesthesiology with Anesthesia Consultants of California Medical Group in 2009 and continues to practice with the group.

RYAN OLSN, Chief Administrative Officer and Chief Executive Officer of PHMG. Ryan Olsen is Chief Executive Officer of PHMG, as well as the Chief Administrative Officer for Palomar Health. Mr. Olsen has worked as a healthcare executive for more than 17 years, with extensive experience leading California-based healthcare systems. Mr. Olsen’s combination of both medical group and hospital experience has helped him further develop the integrated delivery system at Palomar Health. Before joining Palomar Health, Mr. Olsen was the regional chief operating officer at Providence Health Orange County, where he had oversight of more than 2,000 employees and 800 physicians across 71 locations, driving key improvements in access, engagement and regional service line development. Mr. Olsen has also held hospital and medical group positions (twice) at Cedars-Sinai, Providence St. Jude Medical Center, and UC Irvine Medical Center. Mr. Olsen earned his Master of Business Administration degree from the University of California Los Angeles Anderson School of Management and his Master of Public Health degree from the University of California Los Angeles Fielding School of Public Health, where he continues to serve as a lecturer and preceptor. He received his Bachelor of Science degree from the University of California San Diego.

ANIS TRABELSI, Chief Information Officer. Anis Trabelsi joined the Palomar Health team in 2016 and was primarily responsible for physical security until he assumed responsibility of cybersecurity.
in early 2022 and was promoted to Chief Information Officer in August 2022. Prior to joining Palomar Health, Mr. Trabelsi retired as a decorated law enforcement officer, served honorably in the United States Marine Corps and is a veteran of Operation Enduring Freedom. Mr. Trabelsi holds a Master of Arts degree in Management from the University of Redlands and a Bachelor of Science degree in Criminal Justice and Administration from the University of Phoenix.

**Environment, Social and Governance Initiatives**

Palomar Health considers the environmental, social and ethical expectations of its patients, employees, physicians and surrounding communities as Palomar Health establishes its strategic priorities and develops programs.

**Environmental Impact.** Environmental considerations have long been part of Palomar Health’s facilities management program. Infrastructure projects are prioritized based on considerations including the safety needs of employees, physicians and patients, indoor air quality, sustainability and energy usage and reliability. PMC Escondido was one of the first hospitals in the State to fully comply with the State’s seismic standards. In addition, both PMC Escondido and PMC Poway will be implementing new building management systems by June 30, 2023. These systems are designed to improve indoor environmental monitoring and to control building systems to achieve improved air quality and energy usage. The new systems include an alarm function that will notify facilities management personnel when air quality and/or energy usage fall outside of an established range, auto tuning of building systems, environmental condition-based resets, and continuous monitoring of ventilation, water, lighting, and other systems.

Palomar Health also has ongoing programs to conserve energy and water usage and incorporates these programs into all its construction and renovation projects. All of these conservation programs will be incorporated in the construction projects that are expected to be funded with proceeds from the sale of the 2022 Certificates. Across all its campuses, Palomar Health has 22 electric vehicle charging stations and has wired a new parking facility on the PMC Escondido campus for an additional 78 charging stations that can be added over time. Palomar Health also has converted landscaping at most of its facilities to drought-tolerant plantings and uses weather-based automatic irrigation systems to reduce water usage for landscape irrigation. In addition, Palomar Health installs low-flow faucets and toilets when completing construction or renovation projects or when replacing fixtures.

**Social Impact.** Palmar Health’s commitment to social issues centers around its workforce, patients and the surrounding community. This commitment extends from entry-level positions in the workforce to the C-Suite.

Workplace and patient safety are top priorities for Palomar Health. The Environment of Care Committee, which oversees workplace safety at all of Palomar Health’s facilities and is comprised of senior executives, physicians, nurses and staff, identifies ways in which Palomar Health can make continuous improvements in workplace safety. The committee meets regularly to review incidents and trends and make recommendations on new concepts to implement for the workplace safety programs and initiatives and also will convene on an expedited basis if urgent circumstances arise. Patient safety is part of the workplace culture at Palomar Health’s facilities, as exemplified by its “Just Culture” program that encourages reporting of patient safety concerns.

Palmar Health provides care without distinction based on age, gender, disability, race, color, religion, sexual orientation or national origin. Palomar Health recognizes and respects the diverse backgrounds and cultures of its patients and makes every effort to equip caregivers with the knowledge and resources to respect each patient’s cultural heritage and needs.
Palomar Health operates several well-established programs serving the needs of sexual assault and spousal and child abuse victims to provide those victims with a safe place to stay, medical care and forensic services linked to local law enforcement agencies. Palomar Health’s Forensic Health Services is a nationally accredited child advocacy center that provides full acute care services to victims of sexual assault and domestic violence. The Forensic Health Services program consists of a Child Abuse Program, a Sexual Assault Response Team, and a Domestic Assault Forensic Exam Team. Forensic Health Services works closely with local advocacy, investigative, and prosecutorial agencies to provide forensic services to victims of physical and sexual abuse. The Child Abuse Program provides forensic interviews utilizing Master’s level child forensic interview specialists, and forensic nurses perform acute medical forensic evidentiary examinations for the children of North County. The Sexual Assault Response Team is able to respond to and work with victims within an hour of notification, which allows victims to avoid wait times in an emergency room. Palomar Health’s Sexual Assault Response Team is the only adult sexual assault response team provider in the County.

Palomar Health also provides child development programs to assist children with learning and health-related issues optimize their growth and potential.

**Governance.** The District is divided into seven sub-districts. One Board member is elected by each of the seven sub-districts, which results in each Board member representing the community it serves and the Board, as a collective, representing Palomar Health’s service area. The executive team and the Board are mindful of equity with employee pay and benefits programs. As it relates to conflicts of interest, the Board has adopted a policy that requires review of actual and potential conflicts of interest involving Board members, senior executives and key employees.

**OTHER INFORMATION**

**Accreditations, Certifications and Memberships**

Palomar Health is subject to regulatory oversight by the Centers for Medicare and Medicaid Services, The Joint Commission and the California Department of Health Services, among others. In December 2019 and November 2019, respectively, PMC Escondido and PMC Poway received accreditation from The Joint Commission, which is customarily valid for up to 36 months. Palomar Health has voluntarily initiated accreditation/certification for specific programs such as the Acute Rehabilitation Unit from the Commission on Accreditation of Rehabilitation Facilities, the Palomar Medical Center Laboratory from the College of American Pathologists’ Laboratory Accreditation Program, the Palomar Health Bariatric Surgery Center from the American Society for Metabolic and Bariatric Surgery, and Stroke Center of Excellence from The Joint Commission.

**Employees and Labor Relations**

Palomar Health has implemented several initiatives to meet nursing needs and to try to reduce use of contract labor, including: providing formal in-house training programs for nurses to train for hard-to-fill nursing positions such as critical care; collaborating with key nursing publications for print and web-based recruitment; providing a system-wide employee referral program for nursing and other allied health care professions; and providing tuition reimbursement programs. Palomar Health continues to use registry (temporary agencies for nurses) for obstetrics and critical care, as well as other services that are experiencing nursing shortages throughout the country, and to fill positions on an interim basis that are being held open at Palomar Health’s facilities. See “MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE” set forth above.
As of June 30, 2022, Palomar Health employed approximately 3,950 employees, or 3,089 full-time equivalent employees. Approximately 2,461 employees were full-time and 1,489 were part-time and per diem. By comparison, as of June 30, 2021, Palomar Health employed approximately 2,605 full-time employees, 1,585 part-time and per diem employees. Of the 3,950 employees, approximately 1,223 are direct care nurses. See “MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE.” Approximately 72% of employees have been represented by the California Nursing Association and California Healthcare Employees Union since June 2003. Palomar Health recently ratified new contracts with both bargaining units, in effect until May 31, 2025. As such, there are no expected strikes or work stoppage events in the foreseeable future.

Insurance and Risk Management

Palomar Health’s employee health program is integral in providing employee health, risk management, and loss prevention programs for Palomar Health’s more than 7,000 employees, volunteers, credentialed medical staff, students, and contracted vendors. The Board and management of Palomar Health believe that the program’s focus on quality clinical care, timely case management coordination, and loss prevention programs continue to minimize the overall costs associated with workers’ compensation claims at Palomar Health. Palomar Health was ranked first among the State’s health care districts for prevention of workers’ compensation claims in 2009-2011. Palomar Health significantly expanded in 2012 with the opening of the new PMC Escondido campus and worked diligently to mitigate the risk associated with the major service relocations. In July 2016, Palomar Health made changes to its long-standing workers’ compensation insurance relationship in order to reduce premium costs and implement a medical provider network. These changes are part of a strategy to utilize industry standard cost containment programs to minimize financial exposure. As of September 2022, Palomar Health is performing better than the California health care average in experience modification, claim severity rate, claim frequency rate, and loss day rate for workers’ compensation claim management outcomes.

As of July 1, 2016, Palomar Health transitioned out of Alpha Fund, a self-insured pool, to become a self-insured entity for workers’ compensation, registered with the California Office of Self-Insurance Plans. Palomar Health has an excess workers’ compensation policy in place with Safety National to cover any workers’ compensation and employer’s liability claims in excess of $1,250,000. This policy will come up for annual renewal on July 1, 2023. Palomar Health is responsible for claims under this threshold, and the actuarial estimated value of the annual financial responsibility associated with self-insuring this risk for fiscal year 2023 is $3,084,000.

Palomar Health has health care entity comprehensive liability coverage through BETA Healthcare Group on claims made and reported basis, with a self-insured retention of $1,000,000 per claim and a $2,000,000 aggregate buffer. The coverage includes bodily injury, personal injury, and advertising injury. Palomar Health has property insurance coverage through Zurich Insurance Group on an occurrence basis, with a $100,000 deductible per occurrence ($250,000 deductible for water damage). Palomar Health has employment practices liability and directors and officers liability coverage with self-insured retentions per claim of $1,000,000 and $500,000 respectively. The self-insured retention for employment practices liability coverage is $2,000,000 for employees who receive more than $150,000 in salary. In addition, Palomar Health has cyber risk, privacy and data liability coverage with a self-insured retention of $500,000 per claim. Palomar Health is responsible for claims under the self-insured retention or deductible thresholds. The actuarial expected value for all claims below the retentions for fiscal year 2022 is $2,036,000. The current coverage contracts expire June 30, 2023.
Cybersecurity

Palomar Health adheres to cybersecurity best practices from the Center for Internet Security (“CIS”) and NIST CSF based on security controls that are prioritized, with prescriptive guidance for enabling organizations to build and maintain strong information security programs. The information security controls that are employed are based on the CIS standards that set out internationally accepted best practices. Palomar Health employs a team of cybersecurity professionals who are responsible for maintaining the organization’s cybersecurity program.

Palomar Health’s cybersecurity and data compliance program is designed to protect the integrity, confidentiality and availability of information systems, both on premise and in the cloud, and it utilizes a risk-based foundation. A broad range of modern security technology solutions are used to meet cybersecurity goals. Some examples of the security technologies in use include advanced anti-virus management software, secure encryption, network intrusion detection, NextGen firewalls, and 24/7 managed detection and response.
APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF PALOMAR HEALTH
APPENDIX C-1

SUMMARY OF THE MASTER INDENTURE, SUPPLEMENT NO. 12 AND SUPPLEMENT NO. 13
APPENDIX C-2

SUMMARY OF THE TAX-EXEMPT TRUST AGREEMENT, THE TAX-EXEMPT INSTALLMENT SALE AGREEMENT AND THE TAX-EXEMPT PURCHASE AGREEMENT
APPENDIX C-3

SUMMARY OF THE TAXABLE TRUST AGREEMENT, THE TAXABLE INSTALLMENT SALE AGREEMENT AND THE TAXABLE PURCHASE AGREEMENT
APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKINGS
APPENDIX E

PROPOSED FORMS OF OPINION OF BOND COUNSEL
APPENDIX F

BOOK-ENTRY ONLY SYSTEM

Information concerning The Depository Trust Company ("DTC"), New York, New York, and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Authority, the Underwriter, the Trustee or the Obligated Group.

CERTIFICATES IN BOOK-ENTRY FORM

Beneficial ownership in the Certificates will be available to Beneficial Owners (as described below) only by or through DTC Participants via a book-entry system (the "Book-Entry System") maintained by DTC. If the Certificates are taken out of the Book-Entry System and delivered to owners in physical form, as contemplated hereinafter under “Discontinuance of DTC Services,” the following discussion will not apply.

DTC AND ITS PARTICIPANTS

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
Purchases of the Certificates under the DTC System must be made by or through Direct Participants which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of a Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the certificate documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee,
the Obligated Group or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DISCONTINUANCE OF DTC SERVICES

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be authenticated and delivered.

The Authority or the Trustee may, as provided in the Trust Agreements, decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be authenticated and delivered for the Certificates.

DISCLAIMER

The Authority, the Underwriter, the Trustee and the Obligated Group have no responsibility or obligation to any Direct Participants or Indirect Participants or the Persons for whom they act with respect to (1) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (2) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal or interest on the Certificates; (3) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Trust Agreements to be given to Certificateholders; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Certificates; or (5) any consent given or other action taken by DTC as Certificateholder. The information in this section concerning DTC and DTC’s Book Entry System has been obtained from sources that are believed to be reliable, but the Authority, the Underwriter, the Trustee and the Obligated Group take no responsibility for the accuracy thereof. No attempt has been made by the Authority, the Underwriter, the Trustee or the Obligated Group to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations.
CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”), dated November __, 2022, is executed and delivered by Palomar Health (“Palomar Health”), on behalf of itself and as Credit Group Representative (defined below) in connection with the issuance of $[__________][__________] Certificates of Participation Evidencing Proportionate Undivided Interests in Installment Payments to be Made by Palomar Health [(Federally Taxable)] (the “Certificates”). The Certificates are being executed and delivered pursuant to a resolution of the Board of Directors of Palomar Health adopted on __________, 2022 and a Trust Agreement dated as of November 1, 2022 (the “Trust Agreement”) between the California Municipal Finance Authority (the “Authority”) and U.S. Bank Trust Company, National Association, as trustee.

The Certificates evidence undivided ownership interests in the right to receive installment payments (the “Installment Payments”) to be paid by Palomar Health under an Installment Sale Agreement dated as of November 1, 2022 (the “Sale Agreement”) between the Authority and Palomar Health. The obligation of Palomar Health to make Installment Payments is a limited obligation of Palomar Health. The obligation of Palomar Health to make Installment Payments is secured by Obligation No. [12][13] issued by Palomar Health pursuant to the provisions of the Master Trust Indenture dated as of December 1, 2006, as supplemented and amended (as so supplemented and amended, the “Master Indenture”), among Palomar Health and Arch Health Partners, Inc., doing business as Palomar Health Medical Group (“Palomar Medical Group” and, together with Palomar Health, the “Obligated Group” and, each, a “Member of the Obligated Group”), and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as master trustee. Palomar Health and Palomar Medical Group are currently the only Members of the Obligated Group created under the Master Indenture. Palomar Health, on behalf of itself and in its capacity as Credit Group Representative on behalf of the Obligated Group, covenants and agrees as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE UNDERTAKING.

This Disclosure Undertaking is being executed and delivered by Palomar Health for the benefit of the Holders and Beneficial Owners (each as defined herein) of the Certificates and in order to assist the Participating Underwriter (as defined herein) in complying with the Rule (as defined herein).

SECTION 2. DEFINITIONS.

In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by Palomar Health pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

“Beneficial Owner” shall mean any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of,
any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“Counsel” shall mean a firm of attorneys of national reputation experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, which is selected by Palomar Health.

“Credit Group Representative” shall have the meaning set forth in the Master Indenture. The Credit Group Representative, as of the date hereof, is Palomar Health.

“Dissemination Agent” shall mean initially Palomar Health, or any successor Dissemination Agent designated in writing by Palomar Health and which has filed with Palomar Health a written acceptance of such designation, including Digital Assurance Certification L.L.C.

“Financial Obligation” means shall mean, for purposes of the Listed Events set out in Section 5 of this Disclosure Undertaking, a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holders” shall mean registered owners of the Certificates.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Undertaking.

“MSRB” shall mean the Municipal Securities Rulemaking Board. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

“Obligated Person” shall mean any person, including the issuer of municipal securities (such as the Certificates), who is generally committed by contract or other arrangement to support payment of all or part of the obligations on the municipal securities being sold in an offering document (such as the Official Statement); each Member of the Obligated Group is an Obligated Person for the Certificates.

“Official Statement” shall mean the final Official Statement relating to the Certificates, dated ________, 2022.

“Participating Underwriter” shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of the Certificates.
“Quarterly Report” shall mean any Quarterly Report provided by Palomar Health pursuant to Section 3(d), and as described in Section 4(b) of this Disclosure Undertaking.

“Repository” shall mean the MSRB or any other entity designated or authorized by the MSRB or SEC to receive reports pursuant to the Rule.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

SECTION 3. PROVISION OF ANNUAL AND QUARTERLY REPORTS.

(a) Palomar Health shall, or shall cause the Dissemination Agent to, file, not later than [one hundred fifty (150)] days after the end of Palomar Health’s fiscal year (the “Annual Filing Date”), commencing with the report for the fiscal year ending June 30, 2023, with the Repository, in a form permitted or required by the Repository, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Presently, the Repository is the MSRB, and the Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the audited financial statements of Palomar Health may be submitted separately from the balance of the Annual Report and later than the Annual Filing Date if they are not available by that date. If Palomar Health’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to the Annual Filing Date the Dissemination Agent (if other than Palomar Health) shall give notice to Palomar Health that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Undertaking. Not later than fifteen (15) Business Days prior to the Annual Filing Date, Palomar Health shall provide to the Dissemination Agent (if other than Palomar Health) its Annual Report for filing with the Repository in a format permitted or required by the Repository. If Palomar Health is unable to provide to the Repository an Annual Report by the Annual Filing Date, Palomar Health shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent in a format permitted or required by the Repository. The Dissemination Agent (if other than Palomar Health) shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent (if other than Palomar Health) shall file a report with Palomar Health stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing the Repository to which it was provided.

(d) Commencing with the fiscal quarter of Palomar Health ending December 31, 2022, not later than [forty-five (45) days] after the end of the first fiscal quarter, the second fiscal quarter, and the third fiscal quarter of each fiscal year of Palomar Health, Palomar Health shall or
shall cause the Dissemination Agent to provide a Quarterly Report to the Repository. The Quarterly Report shall include the information specified in Section 4(b) and may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4(c) of this Disclosure Undertaking.

[(e) Confirm no semi-annual update calls are required given current credit strength.]

SECTION 4. CONTENT OF ANNUAL AND QUARTERLY REPORTS.

(a) The Annual Report shall contain or include by reference the following:

1. The audited financial statements of Palomar Health and its affiliates for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the Annual Filing Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The financial information and operating data set forth in Appendix A to the Official Statement in the text and tables under the headings [update after circulation of Appendix A] [“SERVICE AREA AND COMPETITION—Utilization” and “—Market Environment— Palomar Health Service Area — Acute Care Hospital Discharges;” “HISTORICAL FINANCIAL INFORMATION—Summary of Historical Financial Data,” “—Sources of Patient Revenue” and “—Unrestricted Property Tax Revenues;” and “MANAGEMENT’S DISCUSSION OF FINANCIAL PERFORMANCE—Outstanding Long-Term Debt,” “—Liquidity and Capital Resources,” “—Capitalization” and “—Historical and Pro Forma Debt Service Coverage of Revenue Obligations” (historical data only).]

(b) The Quarterly Report shall contain or include by reference the following:

1. Unaudited financial information (without the necessity of notes) of Palomar Health and its affiliates consisting of a condensed consolidated schedule of revenue, expenses and changes in net assets and a condensed consolidated schedule of balance sheet data of Palomar Health and any other Members of the Obligated Group.

Any or all of the items listed in (a) and (b) above may be included by specific reference to other documents, including official statements of debt issues of the Obligated Group or related public entities, which have been filed with the Repository. If the document included by reference is a final official statement, it must be available from the MSRB. Palomar Health shall clearly identify each such other document so included by reference. The material required herein may be filed as part of, or concurrently with, any other continuing disclosure undertaking, provided such material is identified as also pertaining to the Certificates.
SECTION 5. REPORTING OF LISTED EVENTS.

(a) Palomar Health shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

1. principal and interest payment delinquencies;
2. nonpayment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity provider or their failure to perform;
6. issuance of adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
7. modifications to rights of Certificateholders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Certificates, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of any Obligated Person; Note: For the purposes of the event identified in this subparagraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.
13. the consummation of a merger, consolidation or acquisition involving an Obligated Person or the sale of all or substantially all the assets of an Obligated Person,
other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. the appointment of a successor or additional trustee, or the change in the name of the trustee, if material;

15. the incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligated Person, any of which affect Certificateholders, if material; and

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

(b) Palomar Health shall, or shall cause the Dissemination Agent to, file, notice of the occurrence of each Listed Event with the MSRB in an electronic format and containing such identifying information as is prescribed by the MSRB, in a timely manner but not later than ten (10) Business Days after the occurrence of such Listed Event.

SECTION 6. TERMINATION OF REPORTING OBLIGATION.

Palomar Health’s obligations under this Disclosure Undertaking shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Certificates or (b) when the Rule no longer applies to the Certificates.

SECTION 7. DISSEMINATION AGENT.

Palomar Health may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. A Dissemination Agent which is not Palomar Health may resign upon fifteen (15) days written notice to Palomar Health. Upon such resignation, Palomar Health shall act as its own Dissemination Agent until, in its sole discretion, it appoints a successor. Any Dissemination Agent appointed by Palomar Health shall not be responsible in any manner for the content of any notice or report prepared by Palomar Health pursuant to this Disclosure Undertaking and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by Palomar Health. Palomar Health shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent’s corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.
SECTION 8. AMENDMENT; WAIVER.

Notwithstanding any other provision of this Disclosure Undertaking, Palomar Health may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Certificates or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of Counsel, materially impair the interests of the Holders or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, Palomar Health shall describe such amendment in the next Annual Report.

SECTION 9. ADDITIONAL INFORMATION.

Nothing in this Disclosure Undertaking shall be deemed to prevent Palomar Health from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If Palomar Health chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, Palomar Health shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. DEFAULT.

In the event of a failure of Palomar Health to comply with any provision of this Disclosure Undertaking, the sole remedy hereunder of any Holder or Beneficial Owner of the Certificates shall be any actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order, to cause Palomar Health to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Certificates or any agreement entered into by any Member of the Obligated Group in connection with the Certificates.
SECTION 11. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT.

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking. The Dissemination Agent acts hereunder solely for the benefit of Palomar Health; this Disclosure Undertaking shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. Palomar Health agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney’s fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s negligence or willful misconduct. The obligations of Palomar Health under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which Palomar Health has not provided an information report in a format permitted or required for filing with each Repository. The Dissemination Agent shall not be required to monitor or enforce Palomar Health’s duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. BENEFICIARIES.

This Disclosure Undertaking shall inure solely to the benefit of the Members of the Obligated Group, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

[Signature Page Follows]
IN WITNESS WHEREOF, Palomar Health has caused this Continuing Disclosure Undertaking to be executed and delivered by its duly authorized officer.

PALOMAR HEALTH, for itself and on behalf of the Obligated Group

By: ________________________________
Its: ________________________________
EXHIBIT A
TO
CONTINUING DISCLOSURE UNDERTAKING
FORM OF NOTICE TO THE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Palomar Health, on behalf of itself and in its capacity as Credit Group Representative on behalf of the Obligated Group

Name of Certificates: $[__________][__________] Certificates of Participation Evidencing Proportionate Undivided Interests in Installment Payments to be Made by Palomar Health [(Federally Taxable)]

Date of Issuance: November __, 2022

NOTICE IS HEREBY GIVEN that Palomar Health (the “Palomar Health”) has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Undertaking of Palomar Health, dated November __, 2022. [Palomar Health anticipates that the Annual Report will be filed by______________.]

Dated: _______________

PALOMAR HEALTH

By: _______________________________
[Title]
ESCROW AGREEMENT

by and between

PALOMAR HEALTH

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Escrow Agent and Trustee

Dated as of November 1, 2022

relating to the

Certificates of Participation
Designated as Series 2006A, Series 2006B and Series 2006C
Evidencing Proportionate Undivided Interests
In Installment Payments made by
Palomar Health
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ESCROW AGREEMENT

This Escrow Agreement (the “Escrow Agreement”), dated as of November 1, 2022, by and between PALOMAR HEALTH, a local health care district and political subdivision duly organized and existing under the laws of the State of California, formerly known as Palomar Pomerado Health (the “District”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, formerly known as U.S. Bank National Association, a national banking association organized under the laws of the United States of America, as trustee (the “Trustee”), under a trust agreement, dated as of December 1, 2006 related to the Refunded Certificates (defined below) (the “Trust Agreement”), between the North San Diego County Health Facilities Financing Authority (the “Authority”) and the Trustee, acting as escrow agent (the “Escrow Agent”) under this Escrow Agreement;

W I T N E S S E T H:

WHEREAS, capitalized terms used and not defined herein shall have the meanings assigned to them in the Trust Agreement; and

WHEREAS, pursuant to the Trust Agreement, the Trustee duly executed and delivered $180,000,000 principal amount of Certificates of Participation evidencing a proportionate interest in the Installment Payments to be made by the District pursuant to the Sale Agreement, designated as Series 2006A, Series 2006B and Series 2006C (respectively, the “2006A Certificates,” the “2006B Certificates” and the “2006C Certificates” and, collectively, the “Certificates”); and

WHEREAS, the District has determined that it is in the best interests of the District and the residents of the District to prepay all of the outstanding Installment Payment represented by the Certificates and, therefore, prepay in accordance with the Trust Agreement the outstanding (i) 2006A Certificates (the “2006A Refunded Certificates”); (ii) 2006B Certificates (the “2006B Refunded Certificates”) and (iii) 2006C Certificates (the “2006C Refunded Certificates” and, together with the 2006A Refunded Certificates and the 2006B Refunded Certificates, the “Refunded Certificates”); and

WHEREAS, U.S. Bank Trust Company, National Association, as trustee (the “2022 Trustee”), duly executed and delivered (i) tax-exempt Certificates of Participation (the “2022 Tax-Exempt Certificates”) under a Trust Agreement (the “2022 Tax-Exempt Trust Agreement”), dated as of November 1, 2022, between the Trustee and California Municipal Finance Authority (“CMFA”), and (ii) taxable Certificates of Participation (the “2022 Taxable Certificates”) under a Trust Agreement (the “2022 Taxable Trust Agreement”), between CMFA and the 2022 Trustee, for the purpose, among others, of providing a portion of the funds to prepay all of the Refunded Certificates as provided herein; and
WHEREAS, in order to implement the foregoing prepayment, the District has taken action to cause to be delivered to the Escrow Agent certain securities permitted under Section 10.02 of the Trust Agreement (the “Escrow Securities”) as listed as Schedule I attached hereto and made a part hereof, for deposit in the Escrow Fund hereinafter referred to, in a total amount which, together with income or interest to accrue thereon, will be in the necessary amount in accordance with the Trust Agreement to (i) to prepay the 2006A Refunded Certificates on Tuesday, December 6, 2022 (the “2006A Prepayment Date”); (ii) the 2006B Refunded Certificates on Wednesday, December 7, 2022 (the “2006B Prepayment Date”); and (iii) the 2006C Refunded Certificates on Thursday, December 8, 2022 (the “2006C Prepayment Date” and, together with the 2006A Prepayment Date and the 2006B Prepayment Date, the “Prepayment Dates” and each individually, a “Prepayment Date”), each at a prepayment price equal to the principal amount of such Refunded Certificates, plus accrued interest with respect thereto to the applicable Prepayment Date, without a prepayment premium; and

WHEREAS, [VERIFICATION AGENT], has delivered a verification report verifying the sufficiency of the Escrow Fund to pay the principal amount of such Refunded Certificates, plus accrued interest with respect thereto to the applicable Prepayment Date, without a prepayment premium; and

NOW, THEREFORE, the District and the Escrow Agent hereby agree as follows:

Section 1. Establishment, Funding and Maintenance of the Escrow Fund.

(a) The Escrow Agent agrees to establish and maintain the Escrow Fund (the “Escrow Fund”) until the Refunded Certificates have been prepaid as provided herein, and to hold the securities, investments and money deposited in the Escrow Fund at all times as a separate escrow account wholly segregated from all other securities, investments or money held by it. All securities, investments and money in the Escrow Fund is hereby irrevocably pledged to secure the prepayment of the Refunded Certificates as provided in Section 3.

(b) On [CLOSING DATE], 2022, the District shall provide to the Escrow Agent the amount of $[ ] (comprised of (i) $[ ] from the proceeds of the 2022 Tax-Exempt Certificates, (ii) $[ ] from the proceeds of the 2022 Taxable Certificates, (iii) $[ ] from the Reserve Fund related to the Refunded Certificates and (iv) $[ ] from the other debt service funds and accounts relating to the Refunded Certificates). The Escrow Agent shall use $[ ] of such funds to purchase the Escrow Securities described in Section 2 below.

Section 2. Investment of the Escrow Fund.

(a) The Escrow Agent shall take all remaining necessary action to have issued and registered in the name of the Escrow Agent, for the account of the Escrow Fund, the Escrow Securities listed on Schedule I attached hereto and to make an initial cash deposit of $[ ].
(b) Except as otherwise provided in this Escrow Agreement, the Escrow Agent shall not reinvest any cash portion of the Escrow Fund and shall hold such cash portion uninvested. The Escrow Agent shall, upon Written Request of the District, reinvest any cash portion of the Escrow Fund in certain securities permitted under Section 10.02 of the Trust Agreement, provided that such instructions are accompanied by (i) an opinion of nationally recognized bond counsel to the effect that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on the 2022 Tax-Exempt Certificates or the Refunded Certificates and (ii) a verification report from a firm of independent accountants to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and moneys in the Escrow Fund to pay prepayment price equal to the principal amount of such Refunded Certificates, plus accrued interest with respect thereto to the applicable Prepayment Date, without a prepayment premium.

(c) The Escrow Agent shall not be liable or responsible for any loss resulting from any investment or reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 3. Payment from the Escrow Fund. The Escrow Agent is hereby irrevocably instructed to, and the Escrow Agent hereby agrees to, collect and deposit in the Escrow Fund the principal of and interest on all Escrow Securities held for the account of the Escrow Fund promptly as such principal and interest become due, and to apply, subject to the provisions of Section 2 and Section 4, such principal and interest, together with any other moneys and the principal of and interest on any other securities deposited in the Escrow Fund, to prepay all of the Installment Payments represented by the Refunded Certificates, by prepaying the 2006A Refunded Certificates on the 2006A Prepayment Date, the 2006B Refunded Certificates on the Series 2006B Prepayment Date and the 2006C Refunded Certificates on the 2006C Prepayment Date, at a prepayment price equal to the principal amount of such Refunded Certificates, plus accrued interest with respect thereto to the applicable Prepayment Date, without a prepayment premium; provided, that the Escrow Agent hereby agrees that payments from the Escrow Fund shall be made directly to the registered owners of the Refunded Certificates, as shown in the registration books maintained by the Escrow Agent, as Trustee under the Trust Agreement, and shall not be deposited in the Prepayment Fund. This paragraph shall constitute an Order of the District under Section 10.02 of the Trust Agreement and Section 9.1 of the Sale Agreement.

Section 4. Notices of Prepayment and Defeasance; Satisfaction and Discharge of Trust Agreement; and Cancellation of Obligation No. 2. The District hereby directs the Trustee to take all necessary action to optionally prepay the 2006A Refunded Certificates on the 2006A Prepayment Date, the 2006B Refunded Certificates on the Series 2006B Prepayment Date and the 2006C Refunded Certificates on the 2006C Prepayment Date, at a prepayment price equal to the principal amount of such series of Refunded Certificates, plus accrued and unpaid interest with respect thereto to the applicable Prepayment Date, without a prepayment premium, and requests that the Trustee give notice of prepayment of the Refunded Certificates, to the persons and in the
time and manner required by Section 4.03 of the Trust Agreement, substantially in the form attached hereto as Exhibit A. This Section 4 shall constitute a Request of the District under Section 4.01(D) of the Trust Agreement. The Trustee hereby waives the notice and procedural requirements contained in the Trust Agreement that the Trustee must receive a Request of the District at least 40 days prior to the prepayment date.

The parties acknowledge that, pursuant to Article X of the Trust Agreement, the Authority has irrevocably instructed the Trustee pursuant to the Order of the Authority Regarding Prepayment of Certificates and Satisfaction and Discharge of the Purchase Agreement and Trust Agreement, attached hereto as Exhibit B and made a part hereof, to apply the investments, securities and money on deposit in the Escrow Fund to prepay the Refunded Certificates on the applicable Prepayment Dates at a prepayment price equal to the principal amount of such Refunded Certificates, plus accrued interest with respect thereto to the applicable Prepayment Date, without a prepayment premium.

The District hereby certifies that the obligations of the District under the Sale Agreement have ceased pursuant to Article IX of the Sale Agreement and requests the Trustee to execute the Certificate of Trustee Regarding Satisfaction and Discharge of the Purchase Agreement and the Trust Agreement, attached hereto as Exhibit C and made a part hereof. The District also requests the Trustee (i) to provide notice of full defeasance for the Refunded Certificates through the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board, currently located at http://emma.msrb.org, in the form attached hereto as Exhibit D, and (ii) to deliver Obligation No. 2 to the Master Trustee for cancellation.

Section 5. Transfer of Funds After Prepayment of Refunded Certificates. The District hereby requests and irrevocably instructs the Escrow Agent, and the Escrow Agent hereby agrees, to transfer any money, investments or securities remaining in the Escrow Fund after all of the Refunded Certificates have been prepaid as provided in Section 3, after payment of any unpaid fees and expenses of the Escrow Agent, to the 2022 Trustee for deposit into the Project Fund established pursuant to, and as defined in, the 2022 Tax-Exempt Trust Agreement.

Section 6. Substitution of Securities. Except as provided in Sections 1, 2 and 4 and in this Section, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of or make substitutions of the investments initially required to be made therewith. Upon the Written Request of the District, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Escrow Securities, provided that there are substituted therefor (from the proceeds of the Escrow Securities) certain securities permitted under Section 10.02 of the Trust Agreement, but only after the Escrow Agent has received (i) an opinion of nationally recognized bond counsel to the effect that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on the Tax-Exempt Certificates or the Refunded Certificates, and (ii) a verification report from a firm of independent accountants to the effect that such substitution (without considering reinvestment) will not adversely affect the sufficiency
of the amounts of securities, investments and moneys in the Escrow Fund to prepay the
Refunded Certificates on the applicable Prepayment Dates at a prepayment price equal to
the principal amount of such Refunded Certificates, plus accrued interest with respect
thereto to the applicable Prepayment Date, without a prepayment premium. The Escrow
Agent shall not be liable or responsible for any loss resulting from any reinvestment
made pursuant to this Escrow Agreement and in full compliance with the provisions
hereof.

Section 7. Compensation and Indemnification of the Escrow Agent.

(a) The District shall pay the Escrow Agent a fee for its services
hereunder and shall reimburse the Escrow Agent for its out of pocket expenses (including
but not limited to the fees and expenses, if any, of its counsel and accountants) incurred
by the Escrow Agent in connection with these services, all as more particularly agreed
upon by the District and the Escrow Agent; provided, that these fees and expenses shall
in no event be deducted from the Escrow Fund, and the Escrow Agent has no lien or right
of set-off against the Escrow Fund for payment of its fees.

(b) The District agrees to indemnify the Escrow Agent, its agents and
its officers or employees for, and hold the Escrow Agent, its agents and its officers or
employees harmless from, liabilities, obligations, losses, damages, penalties, actions,
judgments, suits, claims, costs, expenses and disbursements of any kind (including,
without limitation, reasonable fees and disbursements of counsel or accountants for the
Escrow Agent) which may be imposed on, incurred by, or asserted against the Escrow
Agent or such other party at any time by reason of its performance of Escrow Agent’s
services, in any transaction arising out of the Escrow Agreement or any of the
transactions contemplated herein, unless due to the negligence or willful misconduct of
the particular indemnified party. The provisions of this section shall survive the removal
or resignation of the Escrow Agent.

Section 8. Functions of the Escrow Agent

(a) The Escrow Agent undertakes to perform only such duties as are
expressly and specifically set forth in the Escrow Agreement and no implied duties or
obligations shall be read into the Escrow Agreement against the Escrow Agent.

(b) The Escrow Agent may conclusively rely, as to the truth of the
statements and the correctness of the opinions expressed therein, and shall be protected
and indemnified as stated in the Escrow Agreement, in acting, or refraining from acting,
upon any written notice, instruction, request, certificate, document, report or opinion
furnished to the Escrow Agent and reasonably believed by the Escrow Agent to have
been signed or presented by the proper party, and it need not investigate any fact or
matter stated in such notice, instruction, request, certificate, document, report or opinion.

(c) The Escrow Agent shall not have any liability hereunder except to
the extent of its own negligence or willful misconduct. In no event shall the Escrow
Agent be liable for any special, indirect or consequential damages, even if parties know
of the possibility of such damages. The Escrow Agent shall have no duty or responsibility under the Escrow Agreement in the case of any default in the performance of covenants or agreements contained in the Trust Agreement or in the case of the receipt of any written demand with respect to such default. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under the Escrow Agreement.

(d) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the District) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

(e) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein, in the Trust Agreement, the 2022 Tax-Exempt Trust Agreement or the 2022 Taxable Trust Agreement.

(f) The Escrow Agent may become the owner of, or acquire any interest in, any of the Refunded Certificates with the same rights that it would have if it were not the Escrow Agent, and may engage or be interested in any financial or other transaction with the District.

(g) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of the moneys to make the payments of the interest on and principal of and prepayment premiums, if any, on the Refunded Certificates.

(h) The Escrow Agent shall not be liable for any action or omission of the District under the Escrow Agreement, the Trust Agreement, the 2022 Tax-Exempt Trust Agreement or the 2022 Taxable Trust Agreement.

(i) Whenever in the administration of the escrow created by this Escrow Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a Certification of the District, and such certification shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of the Escrow Agreement upon the faith thereof.

(j) The Escrow Agent is entering into this Escrow Agreement in its capacity also as Trustee under the Trust Agreement. Subject to the provisions hereof, moneys held by the Escrow Agent hereunder are to be held and applied for the payment and prepayment of the Refunded Certificates. The Escrow Agent may resign and be discharged of its duties hereunder by resigning as Trustee under the Trust Agreement in accordance with the procedures of the Trust Agreement. Any successor trustee under the Trust Agreement shall succeed as Escrow Agent under this Escrow Agreement.
Section 9. Merger or Consolidation of the Escrow Agent. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent and vested with all of the title to the Escrow Fund and all of the powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 10. Amendment of the Escrow Agreement. The Escrow Agreement may not be revoked or amended by the parties hereto unless there shall first have been filed with the District and the Escrow Agent (i) an unqualified opinion of a nationally recognized bond counsel that such amendment will not, in and of itself, result in the inclusion of interest evidenced by the Refunded Certificates or the Certificates in gross income for federal income tax purposes, and (ii) unless such amendment is not materially adverse to the interests of the registered owners of the Refunded Certificates, the written consent of the registered owners of all of the Refunded Certificates.

Section 11. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given if received or sent by first class mail, as follows:

If to the District:

456 E. Grand Avenue
Escondido, California 92025
Attention: Chief Financial Officer
Telephone: (760) 740-6385

If to the Escrow Agent:

U.S. Bank Trust Company, National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust
Telephone: (213) 615-6002

Section 12. Severability. If any section, paragraph, sentence, clause or provision of the Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of the Escrow Agreement.

Section 13. California Law. The Escrow Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.
Section 14. Execution. The Escrow Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.
IN WITNESS WHEREOF, the District and the Escrow Agent have each caused the Escrow Agreement to be executed in its name by its duly authorized officer all as of the day and year first above written.

PALOMAR HEALTH

By: President and Chief Executive Officer

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION,
as Escrow Agent and Trustee

By: Authorized Officer
SCHEDULE I

ESCROW SECURITIES
EXHIBIT A

FORM OF NOTICE OF OPTIONAL PREPAYMENT

NOTICE OF FULL AND FINAL PREPAYMENT

Certificates of Participation
Designated as Series 2006A, Series 2006B and Series 2006C
Evidencing Proportionate Undivided Interests
In Installment Payments made by
Palomar Health

<table>
<thead>
<tr>
<th>Series</th>
<th>Dated Date</th>
<th>Payment Date</th>
<th>Principal Amount Outstanding</th>
<th>Interest Rate Mode</th>
<th>CUSIP No.</th>
<th>Prepayment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006A</td>
<td>12/7/2006</td>
<td>11/1/2036</td>
<td>$41,375,000</td>
<td>Auction Rate</td>
<td>AB3</td>
<td>12/6/2022</td>
</tr>
<tr>
<td>2006B</td>
<td>12/7/2006</td>
<td>11/1/2036</td>
<td>$41,450,000</td>
<td>Auction Rate</td>
<td>AC1</td>
<td>12/7/2022</td>
</tr>
<tr>
<td>2006C</td>
<td>12/7/2006</td>
<td>11/1/2036</td>
<td>$41,375,000</td>
<td>Auction Rate</td>
<td>AD9</td>
<td>12/8/2022</td>
</tr>
</tbody>
</table>

NOTICE is hereby given that Palomar Health (the “District”) has exercised the option of the North San Diego County Health Facilities Financing Authority (the “Authority”) to prepay on the dates specified above (the applicable “Prepayment Date”) the outstanding Certificates of Participation evidencing proportionate undivided interests in installment payments made by the District, described above (the “Certificates”), in the aggregate principal amounts outstanding as listed above, at a prepayment price equal to the principal amount of such series of Certificates outstanding plus accrued and unpaid interest with respect thereto to the applicable Prepayment Date, without a prepayment premium (the applicable “Prepayment Price”).

Interest evidenced and represented by the Certificates shall cease to accrue from and after the applicable Prepayment Date and on the applicable Prepayment Date there will become due and payable on the Certificates the applicable Prepayment Price. Payment of the applicable Prepayment Price will be made upon presentation and surrender of the applicable Certificates on and after the applicable Prepayment Date, at the following address:

U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Avenue E.
St Paul, MN 55107

Owners of Certificates presenting their Certificates in person for the same day payment must surrender their Certificates by 1:00 p.m. on the applicable Prepayment Date at the Corporate Trust Office and a check will be available for pickup after 2:00 p.m. Checks not picked up by 4:30 p.m. will be mailed to the owner by first class mail.

If payment of the applicable Prepayment Price is to be made to the owner of the Certificates, such owner is not required to endorse the Certificate to collect the applicable Prepayment Price.
Federal law requires the Trustee to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

Neither failure to receive any such notice nor any immaterial defect contained herein shall affect the sufficiency and validity of any proceedings taken in connection with a prepayment of the Certificates.

None of the District, the Authority or U.S. Bank Trust Company, National Association, as trustee, shall be held responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness as shown in this Prepayment Notice. CUSIP numbers are included solely for convenience of the Owners.

**Notice to DTC: Publication Date for Depository Purposes**

<table>
<thead>
<tr>
<th>Series</th>
<th>Interest Payment Date Prior to Prepayment Date (“Publication Date”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006A</td>
<td>11/29/2022</td>
</tr>
<tr>
<td>2006B</td>
<td>11/30/2022</td>
</tr>
<tr>
<td>2006C</td>
<td>12/1/2022</td>
</tr>
</tbody>
</table>

Pursuant to Section 4.03 of the Trust Agreement, dated as of December 1, 2006, between the Authority Trustee, the Trustee hereby instructs DTC to (i) determine on such Publication Date the DTC Participants whose Depository positions will be prepaid and the principal amount with respect to such Certificates to be prepaid from each such position (the “Depository Prepayment Information”) and (ii) immediately notify the Auction Agent of the DTC Participants’ positions in such Certificates immediately following such Auction settlement, and the Depository Prepayment Information.

Dated: November 15, 2022

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee
EXHIBIT B

ORDER OF AUTHORITY REGARDING PREPAYMENT OF CERTIFICATES AND SATISFACTION AND DISCHARGE OF PURCHASE AGREEMENT AND TRUST AGREEMENT

Certificates of Participation
Designated as Series 2006A, Series 2006B and Series 2006C
Evidencing Proportionate Undivided Interests
In Installment Payments made by
Palomar Health

To: U.S. Bank Trust Company, National Association, as trustee (the “Trustee”)

Palomar Health (the “District”) is exercising the option of North San Diego County Health Facilities Financing Authority (the “Authority”), with respect to all of the outstanding certificates of participation captioned above and further described below (the “Refunded Certificates”), to optionally prepay the Refunded Certificates on the applicable Prepayment Dates described below.

<table>
<thead>
<tr>
<th>Series</th>
<th>Dated Date</th>
<th>Prepayment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006A</td>
<td>12/7/2006</td>
<td>12/6/2022</td>
</tr>
<tr>
<td>2006B</td>
<td>12/7/2006</td>
<td>12/7/2022</td>
</tr>
<tr>
<td>2006C</td>
<td>12/7/2006</td>
<td>12/8/2022</td>
</tr>
</tbody>
</table>

The Authority hereby irrevocably instructs you to accept the deposit for the defeasance of the Refunded Certificates pursuant to the Escrow Agreement, dated as of November 1, 2022, between the Trustee and the District, prepay the Refunded Certificates as described in the Escrow Agreement, and to discharge the Purchase Agreement and Trust Agreement.

This document shall constitute the Order of the Authority pursuant to Section 10.02 of the Trust Agreement.

Capitalized terms used and not defined herein shall have the terms assigned to them in the Escrow Agreement.
Dated: November [15], 2022

NORTH SAN DIEGO COUNTY HEALTH FACILITIES FINANCING AUTHORITY

[Chair][Treasurer/Controller]
EXHIBIT C

CERTIFICATE OF TRUSTEE REGARDING SATISFACTION AND DISCHARGE OF
TRUST AGREEMENT AND PURCHASE AGREEMENT

Certificates of Participation
Designated as Series 2006A, Series 2006B and Series 2006C
Evidencing Proportionate Undivided Interests
In Installment Payments made by
Palomar Health

The undersigned, as trustee under a trust agreement relating to the above-captioned certificates of participation, dated as of December 1, 2006 (the “Trust Agreement”), between the North San Diego County Health Facilities Financing Authority and the undersigned, hereby acknowledges that the obligations created by the Trust Agreement has ceased, terminated and become void and that the Purchase Agreement and the Trust Agreement are discharged and satisfied.

Capitalized terms used and not defined herein shall have the meanings assigned to them in the Trust Agreement.

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION,
as Trustee

By: Authorized Officer
EXHIBIT D

FORM OF NOTICE OF FULL DEFEASANCE

NOTICE OF FULL DEFEASANCE

Certificates of Participation
Designated as Series 2006A, Series 2006B and Series 2006C
Evidencing Proportionate Undivided Interests
In Installment Payments made by
Palomar Health (the “Certificates”)

<table>
<thead>
<tr>
<th>Series</th>
<th>Dated Date</th>
<th>Payment Date</th>
<th>Principal Amount Outstanding</th>
<th>Interest Rate Mode</th>
<th>CUSIP No. (69753L)</th>
<th>Prepayment Date</th>
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<tr>
<td>2006A</td>
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<td>AD9</td>
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</tbody>
</table>

NOTICE IS HEREBY GIVEN that there has been made on the date hereof, with U.S. Bank Trust Company, National Association, formerly known as U.S. Bank National Association, as Trustee (the “Trustee”), under that certain Trust Agreement relating to the certificates or participation captioned and described above (the “Certificates”), dated as of December 1, 2006, between the North San Diego County Health Facilities Financing Authority and the Trustee, in trust, an irrevocable deposit of moneys, investments and securities deposited in an escrow fund, which will provide money sufficient to pay when due interest on, and principal of, all of the outstanding Certificates to their respective prepayment dates listed above (the applicable “Prepayment Date”), and prepay the Certificates then outstanding on the applicable Prepayment Date at a prepayment price equal to the principal amount of such series of Certificates plus accrued and unpaid interest with respect thereto to the applicable Prepayment Date, without a prepayment premium.

November 15, 2022

By: PALOMAR HEALTH

Note: The CUSIP numbers listed in this notice are for convenience of references only, and neither Palomar Health nor the Trustee shall be responsible for any error of any nature relating to the CUSIP numbers on the respective Certificate or in this notice.