

October 17, 2019

Sandra Ormonde,
Chief Executive Officer
Tulare Local Healthcare District
869 N. Cherry Street
Tulare, CA 93274

Re: Underwriter/Placement Agent Engagement Letter
Approximately \$85,000,000 in tax-exempt Refunding General Obligation Bonds to refinance three outstanding series of General Obligation Bonds issued in 2007 and 2009 and \$11,000,000 in tax-exempt Refunding Revenue Bonds to refund the outstanding 2007 Revenue Bonds (the "Securities")

Dear Sandra:

This letter confirms the agreement (the "Agreement") between Piper Jaffray & Co. ("Piper Jaffray" or "we" or "us") and Tulare Local Healthcare District (the "Issuer" or "you") as follows:

- Engagement.** The Issuer hereby engages Piper Jaffray to serve as an underwriter or placement agent (including serving as a co-manager or co-placement agent) for the Securities. As currently contemplated, the transaction will be an underwriting or private placement of the Securities with gross proceeds of approximately \$85,000,000 for the General Obligation Bonds for which you are currently engaging Piper Jaffray to serve as the senior managing underwriter or lead placement agent and \$11,000,000 for the Revenue Bonds for which you are currently engaging Piper Jaffray as a co-manager or co-placement agent. Sale and delivery of the Securities by the Issuer will occur on the day of closing ("Closing Date").
- Scope of Services.** We understand that the decision to either conduct a public sale of the Securities or sell the Securities in a private placement to a single or limited number of investors will be made by you sometime in the future. As a preliminary matter, we can assist you in determining whether to pursue a public sale or a private placement to a bank or other financial institution, based upon the facts and circumstances in evidence at that time. Depending on the capacity in which we would be acting, Piper Jaffray agrees, as appropriate and directed by you, to provide the following services.

As an Underwriter:

- Develop a financing plan for the Securities and assist you in determining the economic impact of the Securities;
- Provide advice concerning structure, timing, terms and other similar matters concerning the Securities, including recommendations as to maturities, interest rates, structure, security, timing, and amount of proceeds needed to implement your project;
- Review and make comments with respect to sale documents, as applicable, including Explanatory Statements, Authorizing Bond Resolutions, bond declarations and indentures and other underlying documents relating to the Securities;
- Develop a sale schedule that incorporates all aspects of bringing Securities to market and arranging for a successful closing of the transaction;
- Assist in the preparation of the preliminary and final Official Statements to be issued by you relating to the Securities for final approval by you and your agents, including bond counsel;
- Assist in making presentations to rating agencies with respect to the Securities;

- (g) Evaluate and make recommendations concerning the use of bond insurance and any other available credit enhancements;
- (h) Distribute preliminary and final Official Statements and other documents to a broad list of institutions, banks, trusts, insurance companies, professional investment advisors, and other prospective investors in Securities;
- (i) For a public sale, form, if deemed appropriate by Piper Jaffray and you, an underwriting group for the purpose of underwriting the Securities, and inform you as to the membership of any group so formed;
- (j) Develop a marketing plan for the offering, including identification of potential investors;
- (k) Negotiate the pricing, including the interest rate, and other terms of Securities;
- (l) Obtain CUSIP number(s) for Securities and arranging for their DTC book-entry eligibility as required;
- (m) Provide a final schedule of debt service payments for Securities;
- (n) Review and make comments with respect to closing documents prepared by Bond Counsel;
- (o) Plan and arrange for the closing and settlement of the issuance and the delivery of Securities; and
- (p) Other activities that are integral to the purchase and distribution of the Securities and activities integral to fulfilling the role of a placement agent or underwriter including under the antifraud provisions of the federal securities laws and the obligations of Piper Jaffray under MSRB rules.

As a Placement Agent:

- (a) consult with you in planning and implementing the placement of the Securities;
- (b) assist you in reviewing any transaction materials (the "Transaction Materials") we mutually agree are beneficial or necessary to the consummation of the transaction;
- (c) assist you in preparing for due diligence conducted by potential investors;
- (d) identify potential investors and use our reasonable commercial efforts to assist in arranging sales of the Securities to investors;
- (e) assist you in negotiating definitive documentation.

3. Fees and Expenses.

- (a) For our services, you agree to pay us:

For the sale of the General Obligation Bonds if sold via a public sale, an underwriting discount of 0.45% (if the issue is rated "BBB-" or better) or 0.60% (if the issue is rated below "BB+" or below or non-rated) of the gross proceeds received by you on all sales of the Securities payable by wire transfer of immediately available funds at closing. In addition, Piper Jaffray will be reimbursed for reasonable expenses as indicated in our response to the District's Request for Proposals. For avoidance of doubt, the fee shall not be payable in the event a closing of the Securities does not occur.

For the sale of the General Obligation Bonds if sold via a private placement, a selling commission of 0.175% of the gross proceeds received by you on all sales of the

Securities payable by wire transfer of immediately available funds at closing. In addition, Piper Jaffray will be reimbursed for reasonable expenses as indicated in our response to the District's Request for Proposals. For avoidance of doubt, the fee shall not be payable in the event a closing of the Securities does not occur.

Fees for the issuance of the Revenue Bonds will be determined separately by the District and Hilltop Securities whom is expected to service as the lead placement agent and senior manager for that issue.

4. ***Representations, Warranties and Agreements of the Issuer.***

You represent and warrant to, and agree with us, that:

- (a) the Securities will be sold by you in compliance with the requirements for exemptions from registration or qualification of, and otherwise in accordance with, all federal and state securities laws and regulations;
- (b) you will make available to us and each purchaser such documents and other information which we and each purchaser reasonably deem (the "Transaction Materials") appropriate and will provide access to your officers, directors, employees, accountants, counsel and other representatives and will provide each purchaser and us opportunities to ask questions and receive answers from these persons; it being understood that we and each purchaser will rely solely upon such information supplied by you and your representatives without assuming any responsibility for independent investigation or verification thereof; and
- (c) you agree to be responsible for the accuracy and completeness of any Transaction Materials to the extent of federal securities laws applicable to the transaction. You agree to notify us promptly of any material adverse changes, or development that may lead to any material adverse change, in your business, properties, operations, financial condition or prospects and concerning any statement contained in any Transaction Materials, or in any other information provided to us, which is not accurate or which is incomplete or misleading in any material respect;
- (d) all financial projections that have or will be made available to Piper Jaffray by you or any of your representatives in connection with the Transaction (the "Projections") have been and will be prepared in good faith and will be based upon assumptions believed by you to be reasonable (it being understood that projections by their nature are inherently uncertain and no assurances are being given that the results reflected in the Projections will be achieved);
- (e) On the Closing Date, you will deliver or cause to be delivered to us an Opinion of Bond Counsel to you, dated the Closing Date relating to: the validity of the Securities; exemption from registration and qualification under federal and state securities law; and if applicable the tax-exempt status of the Securities, together with a reliance letter from such counsel, dated the Closing Date and addressed to us and in a form acceptable to us.

5. ***Other Matters Relating to Our Engagement.*** The parties agree that we are not making a final commitment to underwrite or place securities until certain events have occurred including among other things, a successful authorizing bond election, satisfactory completion and execution of all final documentation for an offering including all terms and conditions and credit approval by Piper Jaffray's internal credit approval process. This Agreement is therefore not a final commitment by us express or implied, to underwrite, place or purchase any securities. If you elect to conduct a public offering of the Securities, you and Piper Jaffray will enter into a definitive bond purchase agreement which shall supersede the provisions of this agreement in any conflicting respects, except that the parties agree that the fee provisions set forth in Section 3 will continue to apply.

You acknowledge that you have retained us solely to provide the services to you as set forth in this agreement. As underwriter or placement agent, Piper Jaffray may provide advice concerning the structure, timing, terms, and other similar matters concerning the transaction. You acknowledge and agree that: (i) the primary role of Piper Jaffray as an underwriter or placement agent, is to sell or place securities to investors in an arms-length commercial transaction and that Piper Jaffray has financial and other interests that differ from your interests (ii) Piper Jaffray is not acting as a municipal advisor, financial advisor or fiduciary to you or any other person or entity and has not assumed any advisory or fiduciary responsibility to you with respect to the transaction contemplated herein and the discussions, undertakings and proceedings leading thereto (irrespective of whether Piper Jaffray has provided other services or is currently providing other services to you on other matters) (iii) the only obligations Piper Jaffray has to you with respect to the transaction contemplated hereby expressly are set forth in this agreement and (iv) you have consulted your own legal, accounting, tax, financial and other advisors, as applicable, to the extent deemed appropriate in connection with the transaction contemplated herein.

6. **Disclosure.** Attached to this letter are regulatory disclosures required by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board to be made by us at this time because of this engagement. We may be required to send you additional disclosures regarding the material financial characteristics and risks of such transaction or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures. It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the Securities. If our understanding is incorrect, please notify the undersigned immediately.
7. **Termination.** You or we may terminate our engagement under this agreement, with or without cause, upon ten days' written notice to the other party. The fee, expense reimbursement, your representations, warranties and agreements, and miscellaneous provisions of this agreement will survive any termination of our engagement under this agreement.
8. **Section Headings.** Section headings contained herein are for convenience of reference only and are not part of this agreement.
9. **Amendment.** This agreement may be amended only by a written instrument executed by each of the Parties. The terms of this agreement may be waived only by a written instrument executed by the party waiving compliance.
10. **Entire Agreement.** This agreement embodies the entire agreement and understanding between you and us and supersedes all prior agreements and understandings relating to the subject matter of this agreement.
11. **No Assignment.** This agreement has been made by the Issuer and Piper Jaffray, and no other person shall acquire or have any right under or by virtue of this agreement.
12. **Governing Law.** This agreement, and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this agreement or the negotiation, execution or performance of this agreement, will be governed by and construed in accordance with the laws of New York. You and we hereby waive all right to trial by jury in any action, proceeding, or counterclaim (whether based upon contract, tort or otherwise) in connection with any dispute arising out of this agreement or any matters contemplated by this agreement.
13. **Consent to Jurisdiction; Service of Process.** The parties each hereby (a) submits to the jurisdiction of any state or federal court sitting in the County of New York, State of New York for the resolution of any claim or dispute with respect to or arising out of or relating to this agreement or the relationship between the parties (b) agrees that all claims with respect to such actions or proceedings may be heard and determined in such court, (c) waives the defense of an inconvenient forum, (d) agrees not to commence any action or proceeding relating to this

agreement other than in a state or federal court sitting in the County of New York, State of New York and (e) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 17. Nothing in this agreement will affect the right of any party to this agreement to serve process in any other manner permitted by law.

14. **Effectiveness.** This agreement shall become effective upon its execution by duly authorized officials of all parties hereto and shall be valid and enforceable from and after the time of such execution.
15. **Severability.** In the event any provision of this 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. You and us will endeavor in good faith negotiations to replace the invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid or unenforceable provisions.
16. **Counterparts.** This agreement may be executed in several counterparts (including counterparts exchanged by email in PDF format), each of which shall be an original and all of which shall constitute but one and the same instrument.
17. **Notices.** Any notice required or permitted to be given under this agreement shall be given in writing and shall be effective from the date sent by registered or certified mail, by hand, facsimile or overnight courier to the addresses set forth on the first page of this agreement with a copy sent to the General Counsel of such Party.
18. THE PARTIES HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Please confirm that the foregoing correctly and completely sets forth our understanding by signing and returning a copy of this engagement agreement.

Sincerely,



Todd Van Deventer, Managing Director
Piper Jaffray & Co.

Acknowledgement and Approval of Engagement
and Receipt of Appendix A Disclosures

Sandra Ormonde, Chief Executive Officer
Tulare Local Healthcare District

Date: _____

Appendix A – G-17 Disclosure

We are providing you with certain disclosures relating to the captioned bond issue (the Bonds), as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 in accordance with MSRB Notice 2012-25 (May 7, 2012). Under new federal regulations, all underwriters and placement agents are now required to send the following disclosures to you (as the Issuer of the Bonds) in order to clarify with you the role of an underwriter or placement agent and other matters relating to an underwriting or placing of the Bonds.

Piper Jaffray intends to serve as an underwriter or placement agent respecting the Bonds and not as a financial advisor or municipal advisor to you. As part of our services as an underwriter or placement agent, Piper Jaffray may provide advice concerning the structure, timing, terms, and other similar matters concerning an issue of municipal securities that Piper Jaffray is underwriting or placing.

Our Role as Underwriter:

In serving as underwriter for the Bonds, these are some important disclosures that clarify our role and responsibilities:

- (i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors;
- (ii) The underwriter's primary role is to purchase securities with a view to distribution in an arm's-length commercial transaction with the Issuer and it has financial and other interests that differ from those of the Issuer;
- (iii) Unlike a municipal advisor, the underwriter does not have a fiduciary duty to the Issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the Issuer without regard to its own financial or other interests;
- (iv) The underwriter has a duty to purchase securities from the Issuer at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; and
- (v) The underwriter will review the official statement for the Issuer's securities in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.¹

Our Role as Placement Agent:

In serving as placement agent for the Bonds, these are some important disclosures that clarify our role and responsibilities:

- (i) MSRB Rule G-17 requires us to deal fairly at all times with both municipal issuers and investors;
- (ii) Our primary role in this transaction is to facilitate the sale and purchase of municipal securities between you and one or more investors for which we will receive compensation;
- (iii) Unlike a municipal advisor, we do not have a fiduciary duty to you under the federal securities laws and are, therefore, not required by federal law to act in your best interests without regard to our own financial or other interests;
- (iv) We have a duty to arrange the purchase securities from you at a fair and reasonable price, but must balance that duty with our duty to arrange the sale to investors at prices that are fair and reasonable; and
- (v) In the event an official statement is prepared, we will review the official statement for your securities in accordance with, and as part of, our responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.

Our Compensation:

¹ Under federal securities law, an issuer of securities has the primary responsibility for disclosure for investors. The review of the official statement by the underwriter is solely for purposes of satisfying the underwriter's obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.

As underwriter, compensation will be by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. As placement agent, compensation will be by a fee that was negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee, discount or placement agent fee will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter or placement agent may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

Conflict of Interest for Underwritings Only:

We have entered into a separate agreement with Charles Schwab & Co., Inc. that enables Charles Schwab & Co., Inc. to distribute certain new issue municipal securities underwritten by or allocated to us which could include the Bonds. Under that agreement, we will share with Charles Schwab & Co., a portion of the fee or commission paid to us.

Risk Disclosures:

In accordance with the requirements of MSRB Rule G-17, attached as Appendix B is a description of the material aspects of a typical fixed rate offering, including the Bonds. This letter may be later supplemented if the material terms of the Bonds change from what is described here.

If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to me. In addition, you should consult with your own financial, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

Appendix B – Risk Disclosures

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds (“Fixed Rate Bonds”), as well as a general description of certain financial risks that you should consider before deciding whether to issue Fixed Rate Bonds.

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing and/or interest accruing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 5 and 40 years from the date of issuance. Interest on the Fixed Rate Bond is paid or accrued semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified period of time, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

The Bonds may be structured with the potential for accelerated payments or a change in terms, including a change in amortization or interest rates. These could be triggered by a put to the bank prior to the final maturity at the end of the bank’s stated holding period. An acceleration of the payment of principal or a change in the terms of the Bonds could also be triggered by an event of default, such as defaults on parity debt, ratings changes, or similar events. Acceleration provisions or changes may create financial stress for you and are not subject to your ability to incur additional debt or access the public markets.

Security

General Obligation Bonds

“General obligation bonds” are debt securities to which unlimited ad valorem property taxes are pledged to pay principal and interest. The County will levy and collect property taxes annually in an amount sufficient to pay principal and interest on the bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following:

Tax Rate Risk

The tax rate that the County will levy will be dependent on the District’s assessed valuation and net collection rates. Because of the fluctuations in assessed valuation and collection rates, tax rates will fluctuate and may exceed the tax rate represented to the voters. The greater the rate of growth of debt service, the greater will be the risk that the tax rate exceeds the tax rate presented at the time of the election.

Redemption Risk

Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Tax Compliance Risk

The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.