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## DEBT SERVICE RESERVE AGREEMENT

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DEBT SERVICE RESERVE AGREEMENT, dated as of July 1, 2024 (the "Agreement"), by and between the CITY OF RIDGECREST (the "City") and BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM").

In consideration of the issuance by BAM of its Municipal Bond Debt Service Reserve Insurance Policy No. 2024R\_\_\_ (the "Reserve Policy") with respect to the \$\_\_\_\_\_ Certificates of Participation (2024 Aquatics Facility Financing Project) (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in lease payments to be made by the City, as the rental for certain property pursuant to a lease agreement with the Public Property Financing Corporation of California (the "Corporation") delivered under the Trust Agreement, dated as of July 1, 2024 (the "Trust Agreement"), by and among the City, Corporation and U.S. Bank Trust Company, National Association, as trustee (the "Trust Agreement"), which Certificates are payable from lease payments of the City under the Lease Agreement dated as of July 1, 2024 (the "Lease Agreement"), by and between the Corporation and the City and the other revenue and collateral described in the Trust Agreement, and the payment to BAM of the premium for the Reserve Policy, the City and BAM hereby covenant and agree as follows:

1. The City shall repay BAM any draws under the Reserve Policy and pay all Administrative Expenses (as defined below) incurred by BAM. Interest shall accrue and be payable on such draws and expenses from the date of payment by BAM at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest with respect to the Certificates and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate, the Prime Rate shall be the prime or base-lending rate of such national bank as BAM shall designate.

2. Repayment of draws and payment of Administrative Expenses and the interest accrued thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw and each such monthly payment shall be in an amount at least equal to 1/12th of the aggregate of Policy Costs related to such draw; provided, however, that all such payments shall be due prior to termination of the Lease Agreement. Amounts in respect of Policy Costs paid to BAM shall be credited first to interest due, then to the expenses due and then to principal due.

3. As and to the extent that payments are made to BAM on account of principal due, the coverage under the Reserve Policy will be reinstated by a like amount, subject to the terms of the Reserve Policy.

4. All cash and investments in the debt service reserve fund or account securing the Certificates (the "Reserve Fund") shall be transferred to the debt service fund for payment of debt service with respect to the Certificates before any drawing may be made on the Reserve Policy or on any alternative credit instrument. Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all alternative credit instruments (including

the Reserve Policy) on which there is available coverage shall be made on a pro rata basis (calculated by reference to available coverage under each such alternative credit instrument) after applying available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to alternative credit instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

5. Draws on the Reserve Policy may only be used to make payments with respect to the Certificates (and for the avoidance of doubt, not any other obligations of the City, whether issued on parity with the Lease Agreement, or otherwise).

6. If the City shall fail to pay any Policy Costs in accordance with the requirements of the Lease Agreement and this Agreement, BAM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Lease Agreement and the Trust Agreement, other than (i) acceleration of the maturity of the Certificates or (ii) remedies which would adversely affect owners of the Certificates.

7. The Lease Agreement and the Trust Agreement shall not be discharged until all Policy Costs owing to BAM shall have been paid in full. The City's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

8. In order to secure the City's payment obligations with respect to the Policy Costs, there is hereby granted and perfected in favor of BAM a security interest (subordinate only to that of the owners of the Certificates) in all revenues and collateral pledged as security for the payment obligations of the City under the Lease Agreement.

9. The City shall direct the Trustee to ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph 4 hereof and to provide notice to BAM in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due with respect to the Certificates. Where deposits are required to be made by the City with the Trustee to the debt service fund for the Certificates more often than semi-annually, the Trustee shall give notice to BAM of any failure of the City to make timely payment in full of such deposits within two business days of the date due.

10. The City agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Agreement, the Trust Agreement and any other document executed in connection with the Certificates ("Administrative Expenses"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The City agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

11. The obligation of the City to pay all amounts due under this Agreement shall be an absolute and unconditional obligation of the City and will be paid or performed strictly in accordance with this Agreement.

12. So long as a default or event of default has occurred and is continuing under this Agreement, the Trust Agreement or any other document executed in connection with the Certificates, the City shall not be eligible for a dividend or any other economic benefit under BAM's organizational documents.

13. The Reserve Policy shall terminate on the earlier to occur of June 1, 2034, and the date the Certificates are no longer outstanding under the Trust Agreement.

14. Any amendment, supplement, modification to, or waiver of, the Trust Agreement and Lease Agreement that requires the consent of owners of the Certificates or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

15. The City shall fully observe, perform, and fulfill each of the provisions, covenants and agreements (as each of those provisions, covenants and agreements may be amended, supplemented, modified or waived with, if required, the prior written consent of BAM) of the Lease Agreement applicable to it, with each of such provisions, covenants and agreements being expressly incorporated into this Agreement by reference solely for the benefit of BAM as if set forth directly herein.

16. Notices and Other Information to be given to BAM.

- a. The City will provide, or cause the Trustee to provide, BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the owners of the Certificates or the Trustee under the Trust Agreement or any other document executed in connection with the Certificates.
- b. In addition, the City shall provide, or cause the Trustee to provide, BAM with the following notices and other information: (i) notice of any draw upon the Reserve Fund within two (2) business days after knowledge thereof, other than in connection with withdrawals of amounts in excess of the Reserve Requirement; and (ii) notice of the advance refunding or optional redemption of any of the Certificates, including the principal amount, maturities and CUSIP numbers thereof within thirty (30) days of posting to EMMA.
- c. BAM shall be entitled to receive such additional information as it may reasonably request.

17. Notices to BAM shall be sent to the following address (or such other address as BAM may designate in writing): Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. 2024R\_\_\_\_, Telephone: (212) 235-2500, Telecopier: (212) 962-1710, Email: notices@buildamerica.com; with a copy of such notice or other communication sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 962-1524.

18. The City agrees that any disclosure document or other document relating to the execution, delivery and sale of the Certificates shall not contain any reference to BAM or the Reserve Policy, except as may be approved by BAM; provided, however, BAM acknowledges that it has been provided with a copy of the Official Statement dated November 15, 2024, and hereby approves of the references to BAM contained therein.

19. If any one or more of the agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such agreements, provisions or terms shall be deemed severable from the remaining agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement. In the event of any conflict in the terms of this Agreement and the Trust Agreement, the terms of this Agreement shall control.

20. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Trust Agreement.

21. This Agreement may be executed in counterparts, each of which alone and all of which together shall be deemed one original Agreement.

22. This Agreement and the rights and obligations of the parties to the Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.

IN WITNESS WHEREOF, each of the parties hereto has duly executed and delivered this Agreement as of the date first above written.

CITY OF RIDGECREST

By \_\_\_\_\_  
Ronald Strand  
City Manager

BUILD AMERICA MUTUAL ASSURANCE  
COMPANY

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_