

April 29, 2022

Bill Hansell
General Manager
Kensington Fire Protection District
217 Arlington Avenue
Kensington, CA 94707

RE: Kensington Fire Protection District 2022 Financing (Public Safety Building) – Regulatory Disclosure Letter

Dear Bill,

NHA Advisors, LLC (“NHA Advisors”) is required to send this Regulatory Disclosure Letter per Municipal Securities Rulemaking Board (“MSRB”) rules. This letter specifies the terms and details of the work that NHA Advisors will perform for the Kensington Fire Protection District (the “District”) relating to the above referenced project (the “Project”). Additionally, this letter provides certain duties and disclosures that municipal advisors must present to all clients prior to beginning work on a municipal transaction.

Scope of Municipal Advisory Activities to be Performed

A detailed Scope of Services can be found in Exhibit A.

Independent Registered Municipal Advisor (“IRMA”)

If acting in the capacity of an Independent Registered Municipal Advisor (“IRMA”), with regard to the IRMA exemption of the U. S. Securities and Exchange Commission (“SEC”) Rule, NHA Advisors will review all third-party recommendations submitted to NHA Advisors in writing by the District.

Term of the Project

The Project will commence on May 1, 2022 and end on the earlier of either December 31, 2022 or upon closing of the transaction, unless the term of the Project is otherwise terminated or extended. Any extensions must be mutually agreed upon by all parties in writing.

Termination of NHA Advisors’ Role on Project

The District may terminate NHA Advisors’ role on the Project at any time and without cause upon written notification to NHA Advisors.

In the event of termination, NHA Advisors shall be entitled to compensation for services performed to the effective date of termination. The District, however, may condition payment of such compensation upon NHA Advisors delivering to the District any or all documents, photographs, computer software, video and audio tapes, and other materials provided to NHA Advisors or prepared by or for NHA Advisors or the District in connection with NHA Advisors’ work on the Project.

NHA Advisors may terminate upon 45 days' written notice to the District and shall include in such notice the reasons for termination.

Compensation and Out-of-Pocket Expenses

A detailed proposal for compensation and expenses can be found in Exhibit B.

Fiduciary Duty

NHA Advisors is registered as a Municipal Advisor with the SEC and MSRB. As such, NHA Advisors has a fiduciary duty to the District and must provide both a Duty of Care and a Duty of Loyalty that entail the following.

Duty of Care:

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the District with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to the District's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the District; and
- d) undertake a reasonable investigation to determine that NHA Advisors is not forming any recommendation on materially inaccurate or incomplete information; NHA Advisors must have a reasonable basis for:
 - i. any advice provided to or on behalf of the District;
 - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the District, any other party involved in the municipal securities transaction or municipal financial product, or investors in the District securities; and
 - iii. any information provided to the District or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

Duty of Loyalty:

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

Conflicts of Interest and Other Matters Requiring Disclosures

As of the commencement date of the Project, there are no actual or potential material conflicts of interest, other than those noted below, that NHA Advisors is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If NHA Advisors becomes aware of any material potential conflict of interest that arises after this disclosure, NHA Advisors will disclose the detailed information in writing to the District in a timely manner.

The following are potential conflicts of interest to be considered.

- NHA Advisors represents that in connection with the issuance of municipal securities, NHA Advisors may receive compensation from the District for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, NHA Advisors hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding NHA Advisors' ability to provide unbiased advice to enter into such transaction. This potential conflict of interest will not impair NHA Advisors' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the District.
- The fee paid to NHA Advisors increases the cost of investment to the District. The increased cost occurs from compensating NHA Advisors for municipal advisory services provided.
- NHA Advisors serves a wide variety of other clients that may, from time to time, have interests that could have a direct or indirect impact on the interests of another NHA Advisors client. For example, NHA Advisors serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the District. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, NHA Advisors could potentially face a conflict of interest arising from these competing client interests. NHA Advisors fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the District.
- Gerald Craig Hill, the Managing Principal of NHA Advisors is currently serving as an outside director for the HdL Companies based in Diamond Bar, CA. HdL Companies is a software and professional services consulting company providing revenue data and collections information to local governments, potentially including NHA Advisors' clients. HdL Companies have affiliates including, but not limited to, HdL Coren & Cone. From time to time, NHA Advisors utilizes the services of HdL Coren & Cone for its clients. NHA Advisors is mindful of this conflict of interest and fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith when this situation arises.
- NHA Advisors does not have any affiliate that provides any advice, service, or product to or on behalf of the District that is directly or indirectly related to the municipal advisory activities to be performed by NHA Advisors.
- NHA Advisors has not made any payments directly or indirectly to obtain or retain NHA Advisors' municipal advisory business.
- NHA Advisors has not received any payments from third parties to enlist NHA Advisors' recommendation to the District of its services, any municipal securities transaction, or any municipal finance product.
- NHA Advisors has not engaged in any fee-splitting arrangements involving NHA Advisors and any provider of investments or services to the District.
- NHA Advisors does not have any legal or disciplinary event that is material to the District's evaluation of the municipal advisory or the integrity of its management or advisory personnel.
- NHA Advisors does not act as principal in any of the transaction(s) related to this Project.
- During the term of the municipal advisory relationship, this disclosure will be promptly amended or supplemented to reflect any material changes in or additions to the terms or information within this disclosure and the revised writing will be promptly delivered to the District.

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

- NHA Advisors is currently registered as a Municipal Advisor with the SEC and the MSRB.
- Within the MSRB website at www.msrb.org, District may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.

Legal Events and Disciplinary History

NHA Advisors does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The District may electronically access NHA Advisors' most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

www.sec.gov/edgar/searchedgar/companysearch.html

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC.

Recommendations

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

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

If the District elects a course of action that is independent of or contrary to the advice provided by NHA Advisors, NHA Advisors is not required on that basis to disengage from the District.

Record Retention

Effective July 1, 2014, pursuant to the SEC record retention regulations, NHA Advisors is required to maintain in writing, all communication and created documents between NHA Advisors and the District for five (5) years.

If there are any questions regarding the above, please do not hesitate to contact NHA Advisors.

Sincerely,

A handwritten signature in blue ink, appearing to read "E. Scriven".

Eric Scriven, Principal
NHA Advisors, LLC

EXHIBIT A

SCOPE OF SERVICES MUNICIPAL ADVISORY SERVICES

The scope of work will generally include, but may not be limited to, the following services:

◆ Project Management

- Manage financing process, including assembly of the financing team and assignment of tasks for all parties involved in the financing.
- Provide information and advice on the timing of the financing process and develop timeline (schedule) of tasks.
- Upon request, work with District staff to solicit and select a registered broker-dealer (underwriter or placement agent), bond/disclosure counsel, trustee service provider, or other consultants that may be required as part of financing process. Provide recommendation(s) and negotiate preferred terms and pricing for said consultant(s).

◆ Quantitative Analysis and Financial Structuring

- Prepare, review, analyze, and provide structuring advice for the proposed financing and or refinancing.
- Evaluate the method of sale (private placement or public offering), bond structure, legal approach, and financial advantages for each alternative, including the financing terms and call provisions.
- Analyze credit enhancement options (bond insurance and reserve surety bond policies).
- Meetings or conference calls with credit enhancement or insurance companies to discuss the transaction, as appropriate.

◆ Project Implementation

- Provide advice on the financing structure for incorporation into financing documents.
- Coordinate the efforts of bond counsel, disclosure counsel, and/or any other legal counsel to prepare the financing documents for approval by the District Board.
- Review financing documents to ensure accuracy with the financing plan.
- Upon request, NHA Advisors will make presentations or attend meetings with the District Board or stakeholders to answer questions about the financing and process.
- Work with selected financing partner or funding source to determine optimal bond structure, including serial/term bonds, premium/discount bonds, and redemption provisions.

- If a public offering method of sale is utilized:
 - Coordinate preparation of a comprehensive credit presentation to the rating services and bond insurance companies, if applicable.
 - Work with disclosure counsel to assemble the official statement (investor disclosure document) for the financing in a manner consistent with existing laws, regulations, and standards of the securities industry.
 - If completed as a negotiated sale, assist the District in the negotiation of underwriting spreads and interest rates for the proposed financing. Monitor the underwriter's sales effort to ensure the lowest financing costs are achieved.
 - Assist with the solicitation of an investment advisor to coordinate investment of bond proceeds and/or accounts, as necessary.
 - Coordinate the delivery, printing and final approval of legal documents, and the preparation of closing certificates and final official statement.
- If a private placement method of sale is utilized:
 - Prepare a credit package for potential investor banks.
 - If a placement agent has been engaged, work with placement agent to solicit bids from various banks that invest in municipal debt.
 - Manage bond or loan pricing and final financing structure (debt service and bond terms).
 - Coordinate the delivery, final approval of legal documents, and the preparation of closing certificates.
- Work with bond counsel to finalize documents for execution by the District.
- Prepare or coordinate preparation of a closing memorandum outlining a detailed flow of funds at the time of closing.

EXHIBIT B

COMPENSATION SCHEDULE

For work described in the Scope of Services, compensation will be contingent on completion of the financing and is expected to be paid from proceeds of the transaction at the time of closing. The fee for these services is based on a number of factors, including the method of sale, financing structure, complexity, series of bonds, funding source, and the time expected to be required to manage the financing process.

Base Municipal Advisory Services

The transaction is expected to utilize one of the following methods of sale: (1) private placement with a private party or bank (requiring no public offering disclosure document), or (2) negotiated public offering with a pre-selected underwriter. Based on the method of sale, NHA Advisors will receive a fee for services as follows.

Method of Sale	Bond, Loan or Other Debt Financing Fee
Private Placement	\$39,000 ⁽¹⁾
Public Offering – Negotiated Sale	\$52,500 ⁽²⁾

- 1) Assumes a single bank RFP process is required. Additional bank RFP process(es) would be subject to the add-on fee outlined in the Additional Services section below.
- 2) Assumes the District goes through the bank RFP process and pivots to a public offering.

Additional Services

Additional Bank RFP Process (as Needed) – If more than one bank RFP process is required by the District, NHA Advisors’ will receive \$4,000 for each additional bank RFP process.

In-Person Meetings (Upon Request) – NHA Advisors will be reimbursed \$1,500 for each in-person meeting. NHA Advisors will participate on conference calls and virtual meetings at no additional cost to the District.

Request for Proposals (Upon Request) – If the District has not engaged consultants to provide certain services required as part of financing process, at the District’s direction, NHA Advisors will undertake the solicitation of one or more of these parties for the fees outlined in the following rate table.

Request for Proposal Process	Fee ⁽¹⁾
Broker-Dealer (Underwriter/Placement Agent)	\$5,000
Bond/Disclosure Counsel	\$2,500
Trustee	\$1,000

- 1) If the District elects to forgo the RFP process and accepts a direct recommendation from NHA Advisors for one or more of these service providers, no additional fee will be assessed by NHA Advisors.

Expenses (Out-of-Pocket)

All expenses will be billed directly at cost to the District. Expenses will be limited to those necessary for completion of the project.

EXHIBIT C

MUNICIPAL ADVISOR DISCLOSURES

Fiduciary Duty

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Duty of Care:

- e) exercise due care in performing its municipal advisory activities;
- f) possess the degree of knowledge and expertise needed to provide the District with informed advice;
- g) make a reasonable inquiry as to the facts that are relevant to the District’s determination as to whether to proceed with a course of action or that form the basis for any advice provided to the District; and
- h) undertake a reasonable investigation to determine that NHA Advisors is not forming any recommendation on materially inaccurate or incomplete information; NHA Advisors must have a reasonable basis for:
 - i. any advice provided to or on behalf of the District;
 - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the District, any other party involved in the municipal securities transaction or municipal financial product, or investors in the District securities; and
 - iii. any information provided to the District or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

Duty of Loyalty:

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

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www.sec.gov/edgar/searchedgar/companysearch.html

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