

## PARITY AGREEMENT

THIS PARITY AGREEMENT ("Agreement") dated November 12<sup>th</sup>, 2020, is by and among the State of Oregon, by and through its BUSINESS DEVELOPMENT DEPARTMENT ("OBDD"), and the United States of America, acting through the U.S. DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE ("USDA") (OBDD, and USDA, collectively, "Lenders")."

### Background

A. The Seal Rock Water District ("Borrower") owns and operates certain water treatment and distribution facilities (collectively, the "Facility") for which it plans to make certain capital improvements (collectively, the "Facility Improvements").

B. Lenders have agreed to finance the Facility Improvements pursuant to loans evidenced by OBDD Financing Contract No. # S18011 (as may be amended, the "OBDD Loan") and USDA Loan No. 91-17 with Letter of Conditions dated July 2, 2019 and amended Letter of Conditions dated May 11, 2020 (as may be amended, the "USDA Loan") (the OBDD Loan and the USDA Loan, each a "Loan" and collectively, the "Lenders' Loans").

C. To secure the repayment of Borrower's obligations to Lenders under the Lenders' Loans, Borrower has or will pledge to each of the Lenders a lien on the net revenues generated by the Facility (the "Affected Collateral"), among other security.

D. In order to receive financing through the Lenders' Loans, Borrower has requested that Lenders accept parity in their respective security interests in the Affected Collateral.

THEREFORE, OBDD and USDA agree as follows:

1. (a) The lien of Lenders in the Affected Collateral is and shall be on parity in every respect to the security interest that each OBDD and USDA acquired or acquire in the Affected Collateral as security for Lenders' Loans, but only to the extent of the amount of (i) the OBDD Loan, not to exceed the principal amount of Three Million Four Hundred Eighty-One Thousand Dollars (\$3,481,000), and all accrued interest; and (ii) the USDA Loan, not to exceed the principal amount of Two Million Five Hundred Forty-Seven Thousand Dollars (\$2,547,000), and all accrued interest.

(b) It is expressly understood that this Agreement is limited to the Lenders' security interests in the Affected Collateral only, and only to the extent of Lenders' security interests in the Affected Collateral that Lenders acquire as security for Lenders' Loans up to the maximum amounts specified in the paragraph above. This Agreement is not intended in any way to affect any part of Lenders' security interests in any other of Borrower's property.

2. Nothing contained in this Agreement is intended to affect or limit in any way any other security interest that each of the parties to this Agreement has in the assets of Borrower, whether tangible or intangible, and the parties specifically reserve all of their rights and security interests against Borrower and any third party.

3. The parity agreed to in Section 1(a) applies irrespective of the time or order of attachment or perfection of the or other interests referred to in this Agreement, the time or order of filing of financing statements, the acquisition of purchase money or other security interests, or the time of giving or failure to give notice of the acquisition or expected acquisition of purchase money or other security interests.

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4. The parity agreed to in Section 1(a) is expressly conditioned upon both (i) the nonavoidability and perfection of Lenders' liens and (ii) the nonexistence of any intervening security interests or liens between Lenders' liens. If either (1) any of Lenders' security interests or liens are not perfected or are avoidable for any reason, or (2) an intervening security interest or lien between Lenders' security interests exists, then the parity of the Lenders' security interests in the Affected Collateral shall not be effective and the relative rights and priorities of the Lenders in the Affected Collateral shall be governed by applicable law

5. Lenders acknowledge and agree that in the event the Borrower shall not have sufficient funds available to pay the regularly scheduled installment due under the terms of all of the Lenders' Loans, the Borrower will pay such funds as are available to the Lenders, pro rata, based on the amounts of the respective regularly scheduled installments; provided, however, that nothing in this section prevents a Lender from exercising its rights and remedies under its Loan documents subject to the notice requirements of section 6 below.

6. Lenders each agree to give the others written notice within Thirty (30) days of the occurrence of a default under the terms of its loan documents. Such notice shall specify the nature of the default and state what action, if any, the Lender intends to take. Each Lender agrees to promptly send the other a copy of any notice or demand that it sends to the Borrower

7. Lenders each agree to give the other Thirty (30) days written notice of any foreclosure proceedings on the Affected Collateral.

8. Lenders agree that they will not transfer, assign, extend, modify or refinance any part of their rights without first notifying the other Lender in writing within Thirty (30) days that such transfer or assignment is contemplated, and consent is granted in writing from the other Lender

9. This Agreement shall continue until any party's loan to Borrower is paid in full.

10. All understandings and agreements in this Agreement are solely for the benefit of Lenders, and there are no other parties (including Borrower) who are intended to be benefitted in any way by this Agreement.

11. Except as otherwise expressly provided in this Agreement, any notices to be given under this Agreement shall be given in writing by personal delivery, or mailing the same, postage prepaid, to the Lenders at:

Assistant Director, Economic Development  
Oregon Business Development Department  
775 Summer St. NE Suite 200  
Salem, Oregon 97303-1280

Community Programs Director  
USDA Rural Development  
1220 SW Third Ave, Suite 1801  
Portland, OR 97204

or to such other address or number as any party may hereafter indicate pursuant to this Section.

Any notice so addressed and mailed shall be deemed to be given three (3) calendar days after mailing. Any notice delivered by personal delivery shall be deemed to be given upon delivery.

12. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties.

13. This Agreement shall be governed by the laws of the State in which the Facility is located and by federal law, as applicable.

14. This Agreement may only be modified, amended or terminated by mutual written consent of all parties.

15. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized representatives.

THE STATE OF OREGON, BY AND THROUGH ITS  
BUSINESS DEVELOPMENT DEPARTMENT

By: \_\_\_\_\_  
Name & Title (print): \_\_\_\_\_  
Date: \_\_\_\_\_

USDA RURAL DEVELOPMENT

By: CHARLOTTE BENTLEY Digitally signed by CHARLOTTE BENTLEY  
Date: 2020.11.13 13:45:08 -08'00'  
Name & Title (print): Charlotte Bentley, Community  
Programs Director Date: \_\_\_\_\_

ACKNOWLEDGED BY BORROWER:

By: Robert Mills  
Name & Title (print): Robert Mills, President of the Board  
Date: NOV. 12, 2020