



Council Agenda Report

From: Ryan Cornell, Finance Manager
Christopher Alakel, Water Manager

Subject: Resolution Approving Certain Disclosure Regarding the City and Authorizing Certain Actions in Connection with the Proposed Refunding of the Nacimiento Water Project Revenue Bonds

Date: March 6, 2018

Facts

1. The City is a party to the Nacimiento Project Water Delivery Entitlement Contract (the “Delivery Contract”) with the San Luis Obispo County Flood Control and Water Conservation District (“District”) for the delivery of water from the Nacimiento Water Project (“the “Project”).
2. In 2007, the San Luis Obispo County Financing Authority (the “Authority”) issued \$157,845,000 Nacimiento Water Project Revenue Bonds, Series A (the “2007A Bonds”) and \$38,565,000 Nacimiento Water Project Revenue Bonds, 2007 Series B (the “2007 B Bonds”).
3. In 2015, the Authority issued \$107,115,000 Nacimiento Water Project Revenue Refunding Bonds, 2015 Series A (the “2015A Bonds”) to refinance a portion of the 2007A Bonds.
4. The District and Authority have determined that the remainder of the 2007A Bonds should be refinanced through the issuance of 2018 Series A Nacimiento Water Project Revenue Refunding Bonds (the “2018A Bonds”).
5. State law requires that certain disclosures be made in a public meeting prior to the issuance of bonds regarding the true interest cost of the bonds, the sum of fees and charges paid to third parties in relation to the bonds, the expected net proceeds of the bonds to be received, and the sum total of all debt service payments on the bonds through maturity, plus fees and charges paid to third parties not paid out of bond proceeds.
6. Raymond James & Associates, Inc., the underwriter for the 2018 Bonds, has prepared the required disclosures, which are attached to the draft Resolution.
7. The City also has received and reviewed the draft Preliminary Official Statement and related documents, including a draft appendix that provides certain statistical and other descriptive information about the City that will be used to help market the 2018 Bonds, and a form of Continuing Disclosure Agreement. The proposed resolution would authorize City representatives to notify to make the any necessary changes to the Preliminary Official Statement and the appendix prior to the closing date of the 2018 Bonds.
8. Under the Delivery Contract, the City, as are other participants in the Project, is required to pay a specified share of the debt service on bonds issued by the Authority for the Project. The City’s payments are made out of its Water Enterprise Fund.

Options

1. Take no action.
2. Adopt Resolution 18-XXX in Connection with the Refunding of the Nacimiento Water Project Revenue Bonds, Approving Certain Disclosure Regarding the City and Authorizing Certain Actions in Connection with Such Refunding.
3. Provide alternative direction as may be appropriate.

Analysis and Conclusions

State law requires that certain financial disclosures be made about proposed bond issuances at a public meeting. In addition, the proposed resolution authorizes the City Manager and other designated City representatives to take the necessary actions that will allow for the issuance of the 2018A Bonds.

Fiscal Impact

The refinancing of the tax exempt bonds is currently estimated to save the City approximately \$730,000 in total over the remaining 23-year term of the bonds. This equates to approximately \$525,000 in present value total savings and exceeds the minimum industry standard of 3% net present value savings.

Recommendation

Approve Resolution No. 18-XXX in connection with the refunding of the Nacimiento Water Project revenue bonds, approving certain disclosures regarding the City, and authorizing certain actions in connection with such refunding.

Attachments

1. Resolution No. 18-XXX in Connection with the Refunding of the Nacimiento Water Project Revenue Bonds, Approving Certain Disclosure Regarding the City and Authorizing Certain Actions in Connection with Such Refunding, including Exhibit A, Second Supplemental Indenture of Trust
2. Form of Continuing Disclosure Agreement

RESOLUTION NO. 18-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES,
IN CONNECTION WITH THE REFUNDING OF THE NACIMIENTO WATER PROJECT
REVENUE BONDS, APPROVING CERTAIN DISCLOSURES REGARDING THE CITY AND
AUTHORIZING CERTAIN ACTIONS IN CONNECTION WITH SUCH REFUNDING

WHEREAS, this City Council (the “Council”) has heretofore entered into a Nacimiento Project Water Delivery Entitlement Contract (the “Delivery Contract”) with the San Luis Obispo County Flood Control and Water Conservation District (the “District”), in connection with the Nacimiento Water Project (the “Project”) for the supply of additional water for the use and benefit of the lands and inhabitants served by the City of El Paso de Robles (the “City”); and

WHEREAS, on September 26, 2007, the SLO County Financing Authority (the “Authority”) issued \$157,845,000 Nacimiento Water Project Revenue Bonds, 2007 Series A (the “2007A Bonds”) and \$38,565,000 Nacimiento Water Project Revenue Bonds, 2007 Series B (Taxable) (the “2007B Bonds,” and together with the 2007A Bonds, the “2007 Bonds”) in order to finance the Project; and

WHEREAS, on August 19, 2015, the Authority issued \$107,115,000 Nacimiento Water Project Revenue Refunding Bonds, 2015 Series A (the “2015A Bonds”) in order to refinance a portion of the 2007A Bonds; and

WHEREAS, the District and the Authority have determined that it is necessary and desirable to proceed with the refunding of all or a portion of the remaining 2007A Bonds (the “Bond Issue”) through the issuance and sale of Municipal Obligations (as defined in the Delivery Contract); and

WHEREAS, in connection with such refunding, the Council has been presented with a form of Preliminary Official Statement, together with an appendix containing statistical and other descriptive information regarding the City (the “Appendix”) and a form of Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”); and

[WHEREAS, the City has previously adopted a local debt policy that complies with Government Code Section 8855(i); and]

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the Council obtain from an underwriter, financial advisor or private lender and disclose, prior to authorization of the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, in compliance with SB 450, the Council has obtained from Raymond James & Associates, Inc., as underwriter (the “Underwriter”) of the Bonds (as hereinafter defined), the required good faith estimates and such estimates are disclosed and set forth on Exhibit A attached hereto;

NOW, THEREFORE, the City Council of the City of El Paso de Robles does hereby resolve and determine as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. The Underwriter is authorized to use a Preliminary Official Statement and Official Statement, each containing an Appendix A (or a revised form thereof) describing certain statistical and other information of the City in the marketing and sale of the Authority's Refunding Revenue Bonds (the "Bonds"), based upon information provided and to be provided by the City, with such changes from the form of Preliminary Official Statement submitted to this City Council as the Mayor, City Manager or a designee thereof (each, an "Authorized Representative") may determine to be in the best interests of the City. The City shall be responsible for notifying the Authority and the Underwriter should any information regarding the City in said Appendix materially change from the time of submission to the closing date of the Bond Issue.

Section 3. The form of Continuing Disclosure Agreement presented to and reviewed by this meeting of the City Council is hereby approved, and the Authorized Representative of the City is hereby authorized and directed to execute and deliver a Continuing Disclosure Agreement, substantially in the form presented to and approved at this meeting of the Council, with such changes therein as the Authorized Representative, the City Attorney and the District may approve, such approval to be evidenced by the signature of said Authorized Representative.

Section 4. In accordance with SB 450, good faith estimates of the following have been obtained from the Underwriter and are set forth on Exhibit A attached hereto: (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Bonds.

Section 5. The Authorized Representatives of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do or cause to be done any and all things and take any and all other actions in support of the issuance of the Bonds, including, without limitation, the execution of certificates and ancillary documents and the delivery of opinions on behalf of the City as may be reasonably required by the District, which they, or any of them, deem necessary or advisable in order to consummate the purposes described herein.

Section 6. This resolution shall take effect immediately upon its adoption.

APPROVED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 6th day of March, 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from Raymond James & Associates, Inc., as the underwriter of the SLO County Financing Authority Nacimiento Water Project Revenue Refunding Bonds, 2018 Series A (the “Bonds”), and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Bonds:

It should be noted that the following information constitutes good faith estimates only as of February 7, 2018. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates below due to the timing of Bond sale, the amount of Bonds sold, the amortization of the Bonds sold, and prevailing market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the Authority and the District based on need for project funds and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market on the date and at the time of the sale. The actual amortization of the Bonds will also depend, in part, on market interest rates on the date and at the time of the sale. Market interest rates are affected by economic, national, international, and other factors beyond the control of the Underwriter, the Authority, or the District.

1. *True Interest Cost of the Bonds.* Assuming the maximum aggregate principal amount of the Bonds authorized (\$30,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.73%.

2. *Finance Charge of the Bonds.* Assuming the maximum aggregate principal amount of the Bonds authorized (\$30,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$576,840.31, as follows:

a)	Underwriter’s Discount	\$134,975.00
b)	Credit Enhancement	90,090.33*
c)	Bond Counsel and Disbursements	85,000.00
d)	Underwriter’s Counsel and Disbursements (Disclosure)	75,000.00
e)	Financial Advisor and Disbursements	45,000.00
f)	Rating Agencies	59,500.00
g)	Other Expenses/contingency (Trustee, Trustee’s Counsel, County administration fee, Printer, demographic information, etc.)	87,274.98

* A municipal bond insurance policy with respect to the Bonds will be obtained only if economically advantageous to the Authority as determined by an Authorized Officer of the Authority.

3. *Amount of Proceeds to be received.* Assuming the maximum aggregate principal amount of the Bonds authorized (\$30,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds less the finance charge of the Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$28,536,325.14.

4. *Total Payment Amount.* Assuming the maximum aggregate principal amount of the Bonds authorized (\$30,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds plus the finance charge of the Bonds described in paragraph 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$45,045,163.

SECOND SUPPLEMENTAL INDENTURE OF TRUST

by and between

SLO COUNTY FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of April 1, 2018

Supplementing and Amending the Indenture of Trust dated as of September 1, 2007, as
previously supplemented by the First Supplemental Indenture of Trust,
dated as of August 1, 2015

Relating to

\$ _____

SLO County Financing Authority
Nacimiento Water Project
Revenue Refunding Bonds
2018 Series A

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SECOND SUPPLEMENTAL INDENTURE OF TRUST

THIS SECOND SUPPLEMENTAL INDENTURE OF TRUST (the “Second Supplemental Indenture”) dated as of April 1, 2018, by and between the SLO COUNTY FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, organized and existing under the laws of United States of America and having a corporate trust office in Los Angeles, California, as trustee (the “Trustee”), supplements and amends the Indenture of Trust dated as of September 1, 2007 (the “Original Indenture”), as previously supplemented by the First Supplemental Indenture, dated as of August 1, 2015 (the “First Supplemental Indenture”). The Original Indenture, together with the First Supplemental Indenture and this Second Supplemental Indenture, are collectively referred to herein as the “Indenture.”

RECITALS :

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated August 15, 2000, between the County of San Luis Obispo, California (the “County”), and the San Luis Obispo County Flood Control and Water Conservation District (the “District”), a water conservation district duly organized and existing under the Constitution and laws of the State of California (the “State”), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money for the purpose of assisting in the financing and refinancing for capital improvements of member entities of the Authority and other local agencies; and

WHEREAS, the Authority has heretofore issued \$157,845,000 in aggregate principal amount of its Nacimiento Water Project Revenue Bonds, 2007 Series A (the “2007 Series A Bonds”) pursuant to the Original Indenture, and made available to the District the proceeds of the 2007 Series A Bonds to assist the District in financing and refinancing the costs of the acquisition, construction and equipping of certain public capital improvements within the County, generally comprising the Nacimiento Water Project (the “Project”); and

WHEREAS, the Authority has heretofore issued \$107,115,000 in aggregate principal amount of its Nacimiento Water Project Revenue Refunding Bonds, 2015 Series A (the “2015A Bonds”) pursuant to the First Supplemental Indenture, in order to refinance a portion of the 2007A Bonds; and

WHEREAS, the District and the Authority wish to refund the remaining portion of the 2007 Series A Bonds with the proceeds of the Authority’s \$_____ aggregate principal amount of Nacimiento Water Project Revenue Refunding Bonds, 2018 Series A (the “2018 Bonds”), to be issued as Additional Bonds by the Authority on behalf of the District under and pursuant to the Original Indenture and this Second Supplemental Indenture; and

WHEREAS, in order to provide for the authentication and delivery of the 2018 Bonds, to establish and declare the terms and conditions upon which the 2018 Bonds are to be issued and

to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Second Supplemental Indenture; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Second Supplemental Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and deliver this Second Supplemental Indenture;

NOW, THEREFORE, the parties hereto agree, as follows:

ARTICLE XX

DEFINITIONS

Section 20.1 Definitions.

(a) **Definitions from Indenture.** Capitalized terms used herein and not defined herein shall have the definitions ascribed to such terms in Section 1.01 of the Original Indenture and Section 12.01 of the First Supplemental Indenture.

(b) **Additional Definitions.** Unless the context otherwise requires, the following terms shall, for all purposes of the Indenture, have the following meanings:

“2015 Series A Bonds” means the SLO County Financing Authority Nacimientto Water Project Revenue Refunding Bonds, 2015 Series A, originally issued in the aggregate principal amount of \$107,115,000.

“2018 Bond Purchase Contract” means an agreement to purchase the 2018 Bonds by and between the Authority and the 2018 Original Purchaser of the 2018 Bonds.

“2018 Bonds” or **“2018 Series A Bonds”** means the SLO County Financing Authority Nacimientto Water Project Revenue Refunding Bonds, 2018 Series A, originally issued in the aggregate principal amount of \$_____.

“2018 Closing Date” means April __, 2018, the date upon which the 2018 Bonds are issued and delivered.

[**“2018 Insurance Policy”** shall mean the Municipal Bond Insurance Policy issued by the 2018 Insurer which guarantees the scheduled payment of principal of and interest on the 2018 Bonds when due.]

[**“2018 Insurer”** means _____ or any successor thereto.]

“2018 Original Purchaser” means Raymond James & Associates, Inc., and its successors and assigns.

[**“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, N.A., at its principal office in The City of New York, 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, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the 2018 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the 2018 Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the 2018 Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.][TO BE UPDATED UPON CONFIRMATION OF BOND INSURANCE]

“Original Indenture” means the Indenture of Trust, dated as of September 1, 2007, by and between the Authority and the Trustee.

“Refunded 2007A Bonds” means certain portions of the 2007 Series A Bonds maturing September 1, 20__ through September 1, 20__, inclusive, September 1, 20__ and September 1, 20__.

“Security Documents” shall mean all bond documents including the resolutions, the Indenture, the 2018 Bonds and/or any additional or supplemental document executed in connection with the 2018 Bonds.

“Tax-Exempt Bonds” means those Bonds issued hereunder, the interest upon which is excluded from gross income for purposes of federal income taxation, and shall initially mean the 2007 Series A Bonds, the 2015 Series A Bonds and the 2018 Series A Bonds.

ARTICLE XXI

TERMS OF THE 2018 BONDS

Section 21.1 Authorization and Terms of 2018 Bonds. (a) The Authority hereby authorizes the creation and issuance of a Series of Bonds to be known as the “SLO County Financing Authority Nacimientto Water Project Revenue Refunding Bonds, 2018 Series A” to be issued in the aggregate principal amount of \$_____ in accordance with the Act for the purpose of refunding the Refunded 2007A Bonds.

(b) The 2018 Bonds shall be issued in fully registered form in Authorized Denominations and shall be initially registered in the name of “Cede & Co.,” as nominee of the Securities Depository. The Trustee shall assign a letter or number or letter and number, or a combination thereof to each 2018 Bond to distinguish it from other 2018 Bonds. Registered ownership of the 2018 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.03, of the Original Indenture, or

in the event the use of a Securities Depository is discontinued, in accordance with the provisions set forth in Section 2.05 of the Original Indenture.

(c) The 2018 Series A Bonds shall mature and become payable on September 1 in each year, as follows:

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>
2018	\$	%
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
20__ ⁽¹⁾		
2040 ⁽²⁾		

The 2018 Series A Bonds shall be dated the 2018 Closing Date and shall bear interest at the rates set forth above, payable commencing on September 1, 2018, and thereafter semiannually on March 1 and September 1 in each year, all as provided herein. The 2018 Series A Bonds shall constitute Tax-Exempt Bonds.

Section 21.2 Form and Execution of 2018 Bonds. The 2018 Bonds shall be in the forms set forth in Exhibit A to this Second Supplemental Indenture, as applicable, and shall otherwise comply with the requirements of Section 2.06 of the Original Indenture.

ARTICLE XXII

ISSUANCE OF THE 2018 BONDS; APPLICATION OF PROCEEDS

Section 22.1 Issuance of the 2018 Bonds. Upon execution and delivery of this Second Supplemental Indenture, the Authority shall execute and deliver the 2018 Bonds to the Trustee for authentication and delivery to the 2018 Original Purchaser thereof upon the written request of the Authority.

⁽¹⁾ Term Bond maturing September 1, 20__.

⁽²⁾ Term Bond maturing September 1, 20__.

Section 22.2 Application of Proceeds and Amounts Released from Tax-Exempt Reserve Account of Reserve Fund.

- (a) Proceeds of 2018 Series A Bonds. Upon the receipt of payment for the 2018 Series A Bonds on the 2018 Closing Date, the Trustee shall deposit the following amounts received from the Authority, comprising the net proceeds of the 2018 Series A Bonds to the following funds and accounts:
 - (i) deposit into the 2018 Costs of Issuance Fund, the sum of \$_____;
 - and
 - (ii) deposit into the Redemption Account of the Revenue Fund, the sum of \$_____, to be applied to refund the Refunded 2007A Bonds on [INSERT REDEMPTION DATE].
- (b) Release from Tax-Exempt Reserve Account of Reserve Fund. Upon the receipt of payment for the 2018 Series A Bonds on the 2018 Closing Date, the Trustee shall release \$_____ from the Tax-Exempt Reserve Account of the Reserve Fund and deposit such amount into the Redemption Account of the Revenue Fund, to be applied to refund the Refunded 2007A Bonds on [INSERT REDEMPTION DATE].

The Trustee may establish a temporary fund or account in its records to facilitate and record the foregoing deposits and transfer.

Section 22.3 2018 Costs of Issuance Fund. The Trustee shall establish and maintain a separate fund to be held by the Trustee known as the “2018 Costs of Issuance Fund” into which shall be deposited the amount set forth in Section 22.02(a)(i) above. The moneys in the 2018 Costs of Issuance Fund shall be used to pay Costs of Issuance of the 2018 Bonds from time to time upon receipt of a Requisition from the District in substantially the form attached to this Second Supplemental Indenture as Exhibit B. Interest earnings on amounts held in the Costs of Issuance Fund shall remain in such fund unless otherwise directed hereunder. On the date which is one hundred eighty (180) days following the 2018 Closing Date, or upon the earlier receipt by the Trustee of a Written Request of the Authority stating that all Costs of Issuance of the 2018 Bonds have been paid, the Trustee shall transfer all remaining amounts in the 2018 Costs of Issuance Fund to the Interest Account and the 2018 Costs of Issuance Fund shall be closed.

ARTICLE XXIII

REDEMPTION OF 2018 BONDS

Section 23.1 Redemption; Special Mandatory Redemption.

- (a) Optional Redemption for 2018 Bonds. The 2018 Bonds maturing on and after September 1, 20__ are subject, at the option of the Authority at the direction of the District, to call and redemption from any available source of funds prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part in the order directed by the Authority, from any source of available funds, at a redemption price equal to the principal amount of the

2018 Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

(b) Mandatory Sinking Payment Redemption for 2018 Bonds. The 2018 Bonds maturing on September 1, 20__, are subject to mandatory redemption in part by lot, on September 1 in each year commencing September 1, 20__, and on each September 1 thereafter, up to and including September 1, 20__, from mandatory sinking fund payments made by the Authority, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the following principal amounts:

Sinking Fund Payment Date (September 1)	<u>Principal Amount</u>
20__	\$
20__	
20__*	

*Maturity.

The 2018 Bonds maturing on September 1, 20__ (together with the 2018 Bonds maturing on September 1, 20__, the “Term Bonds”), are subject to mandatory redemption in part by lot, on September 1 in each year commencing September 1, 20__, and on each September 1 thereafter, up to and including September 1, 20__, from mandatory sinking fund payments made by the Authority, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the following principal amounts:

Sinking Fund Payment Date (September 1)	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__*	

*Final Maturity.

If any such Term Bonds are redeemed pursuant to optional redemption, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 principal amount (or on such other basis as the Authority may determine) as set forth in a written notice given by the Authority to the Trustee.

Section 23.2 Selection of 2018 Bonds for Partial Redemption. Whenever provision is made in this Second Supplemental Indenture for the redemption of less than all of the 2018 Bonds of a maturity, the Trustee shall select the 2018 Bonds to be redeemed from all 2018 Bonds of such maturity not previously called for redemption, as directed by the Authority, at the request

of the District, or, in the absence of such direction, by lot in any manner which the Authority in its sole discretion shall deem appropriate and fair. For purposes of such selection, all 2018 Bonds shall be deemed to be comprised of separate Authorized Denominations and such separate Authorized Denominations shall be treated as separate 2018 Bonds which may be separately redeemed.

ARTICLE XXIV

TAX COVENANTS RELATING TO 2018 SERIES A BONDS

Section 24.1 Tax Covenants relating to 2018 Series A Bonds. In connection with the 2018 Series A Bonds, in furtherance of the covenants set forth in Section 6.07 of the Original Indenture, the Authority confirms that the 2018 Series A Bonds are Tax-Exempt Bonds and hereby agrees to observe the following covenants:

(a) **Definitions.** This Section shall apply only to the 2018 Series A Bonds, and their proceeds. When used in this Section, the following terms have the following meanings:

"Closing Date" means the date on which the 2018 Series A Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation effective on or before the Closing Date.

"Computation Date" has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

"Gross Proceeds" has the meaning stated in Section 1.148-1(b) of the Tax Regulations, with respect to the 2018 Series A Bonds.

"Investment" has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of any series of 2018 Series A Bonds are invested and that is not acquired to carry out the governmental purposes of that series of 2018 Series A Bonds.

"Rebate Amount" has the meaning set forth in section 1.148-1(b) of the Tax Regulations, with respect to the 2018 Series A Bonds.

"Series 2018A Refunded Bonds" means the Refunded 2007 Series A Bonds being refunded with the proceeds of the 2018 Series A Bonds.

"Tax Regulations" means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code, or section 103 of the 1954 Code, as applicable.

“Yield”

(i) of any Investment is calculated in accordance with section 1.148-5 of the Tax Regulations; and

(ii) of any series of 2018 Series A Bonds is calculated in accordance with section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The Authority shall not use, permit the use of, or omit to use Gross Proceeds of the 2018 Series A Bonds or any other amounts (or any property the acquisition, construction or improvement of which was or is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any 2018 Series A Bond to become includable in the gross income, as defined in section 61 of the Code, of the Owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exclusion of the interest on any 2018 Series A Bond from the gross income of the Owner thereof for federal income tax purposes, the Authority shall comply with each of the specific covenants in this Section.

(c) No Private Use and Private Payments. Except as permitted by section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall assure that the District shall, at all times prior to the final cancellation of the last of the 2018 Series A Bonds to be retired:

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which was or is to be financed or refinanced directly or indirectly with Gross Proceeds of the 2018 Series A Bonds (including property financed with Gross Proceeds of the Series 2018A Refunded Bonds), and not use or permit the use of such Gross Proceeds (including through any contractual arrangement with terms different than those applicable to the general public) or of any property acquired, constructed or improved with such Gross Proceeds, in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who was or is treated as using Gross Proceeds of the 2018 Series A Bonds or any property acquired, constructed or improved with such Gross Proceeds, other than taxes of general application within its jurisdiction.

(d) No Private Loan. Except as permitted by section 141 of the Code and the Tax Regulations and rulings thereunder, neither the District nor the Authority will use Gross Proceeds of the 2018 Series A Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (a) property acquired, constructed or improved

with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (b) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (c) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, neither the District nor the Authority shall, at any time prior to the final cancellation of the last 2018 Series A Bond to be retired, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the 2018 Series A Bonds to which such Gross Proceeds are allocated pursuant to the Tax Regulations.

(f) Not Federally Guaranteed. Except as permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, neither the District nor the Authority shall take or omit to take, any action that would cause any 2018 Series A Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The Authority shall timely file any information required by section 149(e) of the Code with respect to the 2018 Series A Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings hereunder:

(i) The District or the Authority, as the case may be, shall account for all Gross Proceeds of the 2018 Series A Bonds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last 2018 Series A Bond is discharged. However, to the extent permitted by law and not otherwise restricted by covenant, each of the District and the Authority may commingle Gross Proceeds of 2018 Series A Bonds with its other monies, provided that it separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the District shall calculate the Rebate Amount with respect to each series of the 2018 Series A Bonds, in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The District promptly shall report to the Authority the results of such calculation, including the basis therefor, in sufficient detail and on a timely basis in order that the Authority be able to comply with its covenants herein. The Authority shall maintain a copy of the calculation with its

official transcript of proceedings relating to the issuance of the 2018 Series A Bonds until six years after the final Computation Date.

(iii) As additional consideration for the purchase of the 2018 Series A Bonds by the initial purchase and the loan of the money represented thereby, and in order to induce such purchase by measures designed to ensure the excludability of the interest on the 2018 Series A Bonds from the gross income of the owners thereof for federal income tax purposes, the Authority timely shall make such payments to the United States as are required under section 148(f). In order to facilitate the ability of the Authority to make such payments, the District shall pay to the Authority monies in amounts and at times sufficient to permit the Authority timely to pay to the United States the amount that when added to the future value of previous rebate payments made for the 2018 Series A Bonds equals (i) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the Authority at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority.

(iv) The District and the Authority shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (ii) and (iii), and if an error is made, to discover, report to the Authority and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, neither the District nor the Authority shall, at any time prior to the final cancellation of the last of the 2018 Series A Bonds to be retired, enter into any transaction that reduces the amount required to be paid to the United States with respect to such 2018 Series A Bonds pursuant to paragraph (h) of this Section because such transaction resulted or results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield on the 2018 Series A Bonds not been relevant to either party.

(j) 2018 Series A Bonds Not Hedge Bonds.

(i) At the time the original bonds refunded by the 2018 Series A Bonds were issued, the Authority and the District reasonably expected to spend at least 85% of the spendable proceeds of such bonds within three years after such bonds were issued.

(ii) Not more than 50% of the proceeds of the original bonds refunded by the 2018 Series A Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(k) Elections. The Authority has or shall designate an appropriate officer of the Authority to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2018 Series A Bonds, in the Tax Certificate or similar or other appropriate certificate, form or document.

ARTICLE XXV

BOND INSURANCE

[THIS SECTION TO BE CONFIRMED/REVISED, AS APPLICABLE]

Section 25.1 The 2018 Insurer As Third Party Beneficiary. The 2018 Insurer is recognized as and shall be deemed to be an irrevocable third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

Section 25.2 Payment Procedure Under the 2018 Insurance Policy. In the event that principal and/or interest due on the 2018 Bonds shall be paid by the 2018 Insurer pursuant to the 2018 Insurance Policy, the 2018 Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of the 2018 Insurer, and shall be subrogated to the rights and remedies of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the 2018 Bonds.

In the event that on the second (2nd) business day prior to any payment date on the 2018 Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the 2018 Bonds due on such payment date, the Trustee shall immediately notify the 2018 Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall notify the 2018 Insurer or its designee immediately upon receipt of payment.

In addition, if the Trustee has notice that any holder of the 2018 Bonds has been required to disgorge payments of principal of or interest on the 2018 Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the 2018 Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the 2018 Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the 2018 Bonds as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the 2018 Bonds, the Trustee shall (i) execute and deliver to the 2018 Insurer, in form satisfactory to the 2018 Insurer, an instrument appointing the 2018 Insurer as agent and attorney-in-fact for such holders of the 2018 Bonds in any legal proceeding related to the payment and assignment to the 2018 Insurer of the claims for interest on the 2018 Bonds, (ii) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the 2018 Insurance Policy payment from the 2018 Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the 2018 Bonds, the Trustee shall (i) execute and deliver to the 2018 Insurer, in form satisfactory to the 2018 Insurer, an instrument appointing the 2018 Insurer as agent and attorney-in-fact for such holder of the 2018 Bonds in any legal proceeding related to the payment of such principal and an assignment to the 2018 Insurer of the 2018 Bonds surrendered to the 2018 Insurer, (ii) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the 2018 Insurance Policy payment therefore from the 2018 Insurer, and (iii) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on 2018 Bonds paid by the 2018 Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2018 Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to the 2018 Insurer, registered in the name directed by the 2018 Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the Authority on any Insured Obligation or the subrogation or assignment rights of the 2018 Insurer.

Payments with respect to claims for interest on and principal of 2018 Bonds disbursed by the Trustee from proceeds of the 2018 Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such 2018 Bonds, and the 2018 Insurer shall become the owner of such unpaid 2018 Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee agree for the benefit of the 2018 Insurer that:

(a) They recognize that to the extent the 2018 Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the 2018 Bonds, the 2018 Insurer will be subrogated to the rights of such holders to receive

the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources stated in the Security Documents and the 2018 Bonds; and

(b) They will accordingly pay to the 2018 Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the 2018 Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the 2018 Bonds to holders, and will otherwise treat the 2018 Insurer as the owner of such rights to the amount of such principal and interest.

Section 25.3 Additional Payments. The Authority agrees unconditionally that it will pay or reimburse the 2018 Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the 2018 Insurer may pay or incur, including, but not limited to, fees and expenses of the 2018 Insurer'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 the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the 2018 Insurer spent in connection with the actions described in the preceding sentence. The Authority 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 the 2018 Insurer until the date the 2018 Insurer is paid in full. Notwithstanding anything herein to the contrary, the Authority agrees to pay to the 2018 Insurer (i) a sum equal to the total of all amounts paid by the 2018 Insurer under the 2018 Insurance Policy ("the 2018 Insurer Policy Payment"); and (ii) interest on such the 2018 Insurer Policy Payments from the date paid by the 2018 Insurer until payment thereof in full by the Authority, payable to the 2018 Insurer at the Late Payment Rate per annum (collectively, "2018 Insurer Reimbursement Amounts") compounded semi-annually. The Authority hereby covenants and agrees that the 2018 Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the 2018 Bonds on parity with debt service due on the 2018 Bonds.

Section 25.4 Exercise of Rights by the 2018 Insurer. The rights granted to the 2018 Insurer under the Security Documents and 2018 Bonds to request, consent to or direct any action are rights granted to the 2018 Insurer in consideration of its issuance of the 2018 Insurance Policy. Any exercise by the 2018 Insurer of such rights is merely an exercise of the 2018 Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the 2018 Bonds and such action does not evidence any position of the 2018 Insurer, affirmative or negative, as to whether the consent of the holders of the 2018 Bonds or any other person is required in addition to the consent of the 2018 Insurer.

Section 25.5 Payments by the 2018 Insurer. The 2018 Insurer shall be entitled to pay principal or interest on the 2018 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the 2018 Insurance Policy) and any amounts due on the 2018 Bonds as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not the 2018 Insurer has received a claim upon the 2018 Insurance Policy.

Section 25.6 Notice and Other Information to be given to the 2018 Insurer. The Authority will identify the 2018 Insurer as a “notice party” and, except to the extent such information is filed with the MSRB’s EMMA system, shall further provide the 2018 Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the holders of 2018 Bonds or the Trustee under the Security Documents. The 2018 Insurer shall receive copies of all notices and amendments relating to the 2018 Bonds and Authority’s housing bonds and subordinate bonds, if any.

Section 25.7 Notice to and Consent of Insurer.

(a) The 2018 Insurer shall receive prior written notice of any name change of the Trustee for the 2018 Bonds or the resignation, removal or substitution of the Trustee. Each Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets or (C) otherwise approved by the 2018 Insurer in writing.

No resignation, removal or substitution of the Trustee shall take effect until a successor, acceptable to the 2018 Insurer, shall be qualified and appointed. The 2018 Insurer shall have the right to direct the replacement of the Trustee upon the occurrence of an event of a default on the 2018 Bonds and any event of default under any senior or subordinate obligations to the extent the 2018 Insurer determines in its sole discretion that there exists or could exist a conflict of interest.

(b) Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document, including any underlying security agreement, including the Delivery Contracts (each a “Related Document”), that requires the consent of Bondowners or adversely affects the rights and interests of the 2018 Insurer shall be subject to the prior written consent of the 2018 Insurer.

Section 25.8 Consent and Other Rights of Insurer. Anything in the Security Documents to the contrary notwithstanding:

(a) The 2018 Insurer’s prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The Issuer shall send copies of all amendments or supplements to the 2018 Insurer and the rating agencies that have assigned a rating to the 2018 Bonds.

(i) Consent of 2018 Insurer. Any amendments or supplements to the Security Documents shall require the prior written consent of the 2018 Insurer with the exception of amendments or supplements:

(1) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

(2) To grant or confer upon the holders of the 2018 Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the 2018 Bonds, or

(3) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

(4) To add to the covenants and agreements of the Issuer in the Security Documents other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power therein reserved to or conferred upon the Issuer, or

(5) To issue Additional Bonds on a parity with the Bonds in compliance with the terms of the Indenture.

(b) Consent of 2018 Insurer in Addition to Bondowner Consent. Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the 2018 Bonds or adversely affects the rights or interests of the 2018 Insurer shall be subject to the prior written consent of the 2018 Insurer.

(c) Notice To and Consent of 2018 in the Event of Insolvency. To the extent the Issuer enters into any reorganization or liquidation plan with respect to the Issuer, it must be acceptable to the 2018 Insurer. In the event of any reorganization or liquidation of the Issuer the 2018 Insurer shall have the right to file a claim, object to and vote on behalf of all holders of the 2018 Bonds absent a continuing failure by the 2018 Insurer to make a payment under the 2018 Insurance Policy. The Issuer shall provide the 2018 Insurer with immediate written notice of any insolvency event that causes the Issuer to be unable to pay its obligations as and when they become due. In the event of a receivership or out-of-court restructuring, the 2018 Insurer shall have the right to negotiate and speak on behalf of and bind the bondholders and any agreements reached must be acceptable to the 2018 Insurer.

(d) Consent of 2018 Insurer Upon Default. Upon the occurrence and continuance of a default or an event of default, monetary or nonmonetary, the 2018 Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the 2018 Bonds or the Trustee for the benefit of the holders of the 2018 Bonds under any Security Document. No monetary or nonmonetary default or event of default may be waived without the 2018 Insurer's written consent.

(e) 2018 Insurer as Owner. Upon the occurrence and continuance of a default or an event of default, the 2018 Insurer shall be deemed to be the sole and exclusive owner of the outstanding 2018 Bonds for all purposes under the Security Documents, including, without limitation, for purpose of approvals, consents, exercising remedies and approving agreements relating to the 2018 Bonds.

(f) Consent of 2018 Insurer for Acceleration. The 2018 Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

(g) Grace Period for Payment Defaults. No grace period shall be permitted for payment defaults on the 2018 Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of the 2018 Insurer.

Section 25.9 Special Provisions for 2018 Insurer Default. If a 2018 Insurer Default shall occur and be continuing, then, notwithstanding anything in Sections 7.7(a)-(e) above to the contrary, (1) if at any time prior to or following a 2018 Insurer Default, the 2018 Insurer has made payment under the 2018 Insurance Policy, to the extent of such payment the 2018 Insurer shall be treated like any other holder of the 2018 Bonds for all purposes, including giving of consents, and (2) if the 2018 Insurer has not made any payment under the 2018 Insurance Policy, the 2018 Insurer shall have no further consent rights until the particular the 2018 Insurer Default is no longer continuing or the 2018 Insurer makes a payment under the 2018 Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, “2018 Insurer Default” means: (A) the 2018 Insurer has failed to make any payment under the 2018 Insurance Policy when due and owing in accordance with its terms; or (B) the 2018 Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the 2018 Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the 2018 Insurer (including without limitation under the New York Insurance Law).

Section 25.10 Events of Default and Acceleration of Maturities. Notwithstanding any other provisions of the Indenture, the maturity of the 2018 Bonds shall not be accelerated without the consent of the 2018 Insurer and in the event the maturity of the 2018 Bonds is accelerated, the 2018 Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the 2018 Insurer’s obligations under the 2018 Insurance Policy with respect to such Bonds shall be fully discharged.

ARTICLE XXVI

MISCELLANEOUS

Section 26.1 Terms of 2018 Bonds Subject to the Indenture. Except as in this Second Supplemental Indenture expressly provided, every term and condition contained in the Indenture shall apply to this Second Supplemental Indenture and to the 2018 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Second Supplemental Indenture. This Second Supplemental Indenture and all the terms and

provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

Section 26.2 Effective Date of Second Supplemental Indenture. This Second Supplemental Indenture shall take effect upon its execution and delivery.

Section 26.3 Execution in Several Counterparts. This Second Supplemental Indenture 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.

Section 26.4 Governing Law. This Second Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in such State.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the SLO COUNTY FINANCING AUTHORITY has caused this Second Supplemental Indenture to be signed in its name by its Chairperson, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Second Supplemental Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

SLO COUNTY FINANCING AUTHORITY

By: _____
Chairperson

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

EXHIBIT A-1
FORM OF 2018 SERIES A BOND

REGISTERED
R - _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN LUIS OBISPO

**SLO COUNTY FINANCING AUTHORITY
NACIMIENTO WATER PROJECT
REVENUE REFUNDING BOND
2018 SERIES A**

<u>INTEREST RATE</u>	<u>MATURITY DATE:</u>	<u>DATED DATE:</u>	<u>CUSIP:</u>
%	September 1, 20____	April __, 2018	798693 ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

The SLO COUNTY FINANCING AUTHORITY (the "Authority"), a joint exercise of powers authority created pursuant to the provisions of Articles 1 through 4 (Commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Law"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above or registered assigns (the "Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Sum stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated after a Record Date (as hereinafter defined) and on or prior to the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before [August 15, 2018], in which event it shall bear interest from the Dated Date stated above) until payment of such Principal Sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each March 1 and September 1 (each an "Interest Payment Date"), commencing [September 1, 2018]. The principal (or redemption price) hereof is payable upon presentation and surrender of this Bond at the corporate trust office of U.S. Bank National Association, as trustee (the "Trustee"), in St. Paul, Minnesota (or such other office designated by the Trustee, herein called the "Principal Office" of the Trustee). Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Owner as of the fifteenth (15th) day preceding each Interest Payment Date (the "Record Date") at the address shown on the registration books maintained by the Trustee or, upon written

request filed with the Trustee prior to the fifteenth (15th) day preceding the applicable Interest Payment Date by an Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States of America designated by such Owner in such written request.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the “SLO County Financing Authority Nacimiento Water Project Revenue Refunding Bonds, 2018 Series A” (the “Bonds”), in the aggregate principal amount of \$_____, all issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code and other applicable law (the “Bond Law”), and pursuant to an Indenture of Trust, dated as of September 1, 2007, as supplemented and amended by the First Supplemental Indenture of Trust, dated August 1, 2015 and the Second Supplemental Indenture of Trust, dated as of April 1, 2018, by and between the Authority and the Trustee (as supplemented and amended, the “Indenture”), issued for the purpose of providing funds for refinancing the costs of the acquisition, construction, improving and equipping of public capital improvements comprising the Nacimiento Water Project, undertaken by the San Luis Obispo County Flood Control Water Conservation District (the “District”), by causing the defeasance and refunding of a portion of the Authority’s Nacimiento Water Project Revenue Bonds, 2007 Series A.

Reference is hereby made to the Indenture (copies of which are on file at said office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder. The Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds and the interest thereon are payable from Revenues (as defined in the Indenture), derived primarily from payments made by the District derived from amounts received under the several Delivery Contracts (as defined in the Indenture), and are secured by a pledge and assignment of said Revenues, of the Nacimiento Water Fund and of amounts held in the funds and accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are special obligations of the Authority and are not a lien or charge upon the funds or property of the Authority, except to the extent of the aforesaid pledge and assignment. The Bonds are not a debt of the Authority, the District, the County of San Luis Obispo or the State of California, and said State is not liable for the payment thereof. The Authority has no taxing power.

The Bonds are secured by such pledge of Revenues on a parity with the Authority’s Nacimiento Water Project Revenue Bonds, 2007 Series B and Nacimiento Water Project Revenue Refunding Bonds, 2015 Series A, and such other series of parity bonds as the Authority may issue in accordance with the Indenture.

Optional Redemption. The 2018 Bonds maturing on and after September 1, 20__ are subject, at the option of the Authority at the direction of the District, to call and redemption from any available source of funds prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part in the order directed by the Authority, from any source of available funds, at a redemption price equal to the principal amount of the 2018 Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Payment Redemption for 2018 Bonds. The 2018 Bonds maturing on September 1, 20__, are subject to mandatory redemption in part by lot, on September 1 in each year commencing September 1, 20__, and on each September 1 thereafter, up to and including September 1, 20__, from mandatory sinking fund payments made by the Authority, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the following principal amounts:

<u>Sinking Fund Payment Date</u> <u>(September 1)</u>	<u>Principal Amount</u>
_____	\$ _____
_____	_____
_____*	_____

*Maturity.

The 2018 Bonds maturing on September 1, 20__ (together with the 2018 Bonds maturing on September 1, 20__, the “Term Bonds”), are subject to mandatory redemption in part by lot, on September 1 in each year commencing September 1, 20__, and on each September 1 thereafter, up to and including September 1, 20__, from mandatory sinking fund payments made by the Authority, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the following principal amounts:

<u>Sinking Fund Payment Date</u> <u>(September 1)</u>	<u>Principal Amount</u>
_____	\$ _____
_____	_____
_____*	_____
_____	_____

*Final Maturity.

If any such Term Bonds are redeemed pursuant to optional redemption, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 principal amount (or on such other basis as the Authority may determine) as set forth in a written notice given by the Authority to the Trustee.

Notice of redemption shall be mailed by first class mail, postage prepaid, not less than twenty (20) nor more than sixty (60) days prior to the redemption date, to the respective owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books held by the Trustee. Each notice of redemption shall state the redemption date, the place or places of redemption, and the CUSIP numbers and the Bond numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective multiples of \$5,000 of the principal amount or Maturity Amount, as applicable, thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount relating thereto or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, plus accrued interest, if any, plus a premium, if any, and that from and after such redemption date, interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the Principal Office of the Trustee. Neither the failure of any owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

The Bonds are issuable as fully registered Bonds in the minimum denomination of \$5,000 each or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged, at the Principal Office of the Trustee, for a like aggregate principal amount of Bonds of the same interest rate and of other authorized denominations.

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. The Trustee shall not be required to register the transfer or exchange of any Bond (i) during the period established by the Trustee for selection of Bonds for redemption, or (ii) selected for redemption. The Authority and the Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Authority and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (1) extend the fixed maturity of this Bond, or reduce the amount of principal hereof, or reduce the rate of interest hereon, or extend the time of payment of interest hereon, or reduce any premium payable upon the redemption hereof, without the consent of the owner hereof, or (2) reduce the percentage of Bonds the consent of the owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged as security for the Bonds prior to or on a parity with the lien created by the Indenture, or deprive the owners of the Bonds of the lien created by the Indenture on such Revenues

and other assets (except as expressly provided in the indentures), without the consent of the owners of all Bonds then outstanding, all as more fully set forth in the Indenture.

It is hereby certified and recited by the Authority that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law, and by the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Law, or by the Constitution and laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the Trustee's Certificate of Authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the SLO County Financing Authority has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Chairperson of the Authority and attested to by the facsimile signature of the Secretary of the Authority, all as of the Dated Date stated above.

SLO COUNTY FINANCING AUTHORITY:

By: _____ (form document)
Chairperson

ATTEST:

By: _____ (form document)
Secretary

FORM OF TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Indenture, which has been authenticated on the date set forth below.

Date of Authentication: _____, 2018

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

STATEMENT OF INSURANCE

[AS APPLICABLE]

EXHIBIT B
WRITTEN REQUISITION FOR COSTS OF ISSUANCE

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services

Re: Requisition of Moneys from the Costs of Issuance Fund of the SLO County Financing Authority (the "Authority"), established under that certain Indenture of Trust, dated as of September 1, 2007, as supplemented and amended by the Second Supplemental Indenture of Trust dated as of April 1, 2018 (as supplemented and amended, the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), for the proceeds of the Authority's Nacimiento Water Project Revenue Refunding Bonds, 2018 Series A

The undersigned hereby states and certifies:

1. That he is the duly appointed, qualified and acting _____ of the District, a public agency organized and existing under the laws of the State of California, acting as agent of the Authority as the issuer of the above-captioned Bonds (the "Bonds"), and as such is familiar with the facts herein certified and is authorized and qualified to certify the same;
2. The Trustee is hereby requested to disburse from the specified accounts of the Costs of Issuance Fund established for the Authority to the payees designated on Schedule I attached hereto and by this reference incorporated herein, the amounts set forth opposite such designations;
3. That each obligation described on Schedule I is a proper charge against the specified accounts of the Costs of Issuance Fund and has not been the basis of any prior disbursement; and
4. That the amount of each disbursement requested herein is for payment of costs of issuance of the Bonds.

Dated: _____, 2018

SAN LUIS OBISPO COUNTY FLOOD
CONTROL AND WATER CONSERVATION
DISTRICT

By: _____
Authorized Representative

SCHEDULE I

<u>PAYEE</u>	<u>PURPOSE</u>	<u>TOTAL</u>
Norton Rose Fulbright US LLP	Bond Counsel Fees and Expenses	\$
Schiff Hardin LLP	Underwriter's counsel (disclosure work)	
Public Financial Management, Inc.	Financial Advisor	
Public Financial Management, Inc.	Financial Advisor Expenses	
PFM Asset Management LLC	PFM Asset Management	
Digital Assurance Certification, LLC	Dissemination Agent Fee	
Fitch Ratings	Fitch Rating Fee	
Standard & Poor's Ratings	Standard & Poor's Rating Fee	
San Luis Obispo County, on behalf of	County Fee	
SLO County Financing Authority		
U.S. Bank National Association	Trustee, [Trustee Counsel] and Escrow Agent fee	
AVIA Communications, Inc.	POS/OS Printing	
City of Paso Robles	Paso Robles Financial Advisor and City Attorney Fees	
Atascadero Mutual Water Company	AMWC Fees and AMWC Attorney Fees	
City of San Luis Obispo	City of SLO Fees	
	Contingency	
	Total	\$

CITY OF EL PASO DE ROBLES

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated April __, 2018, is executed and delivered by the City of El Paso de Robles (the “Obligated Person”) and the San Luis Obispo County Flood Control and Water Conservation District (the “Flood Control District”) in connection with the execution and delivery of \$_____ principal amount of SLO County Financing Authority Nacimiento Water Project Revenue Refunding Bonds, 2018 Series A (the “2018 Bonds”). The 2018 Bonds will be issued and secured pursuant to the terms of an Indenture of Trust, dated as of September 1, 2007 (the “Original Indenture”), previously supplemented and amended, and as further supplemented and amended by the Second Supplemental Indenture of Trust dated as of April 1, 2018 (the “Second Supplemental Indenture” and together with the Original Indenture, the “Indenture”), each by and between the SLO County Financing Authority (the “Authority”) and U.S. Bank National Association, as trustee (the “Trustee”). The Obligated Person covenants and agrees on behalf of the Authority as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Obligated Person for the benefit of the Beneficial Owners of the 2018 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Disclosure Report*” shall mean any Annual Disclosure Report provided by the Obligated Person pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Disclosure Representative*” shall mean the Director of Finance of the Obligated Person of the Obligated Person or such other official as may be designated in writing to the Dissemination Agent (if other than the Obligated Person) from time to time.

“*Dissemination Agent*” shall mean the Flood Control District, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Obligated Person and which has filed with the Obligated Person a written acceptance of such designation.

“*Filing Date*” shall mean March 31 of the Fiscal Year of the Obligated Person (or the next succeeding business day if such day is not a business day), commencing March 31, 2019.

“*Fiscal Year*” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Obligated Person and certified to the Trustee in writing by an Authorized Representative of the Obligated Person.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, 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>.

“*Official Statement*” means the Official Statement dated _____, 2018 relating to the 2018 Bonds.

“*Participating Underwriter*” shall mean the original underwriter of the 2018 Bonds required to comply with the Rule in connection with offering of the 2018 Bonds.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Disclosure Reports.

(a) The Obligated Person shall provide, or shall cause the Dissemination Agent to provide, not later than the Filing Date, to the MSRB an Annual Disclosure Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Disclosure Report shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Disclosure Agreement. If the Fiscal Year of the Obligated Person changes, it shall give notice of such change in the same manner as for a Specified Event under this Disclosure Agreement.

(b) Not later than fifteen (15) days prior to each Filing Date, commencing March 15, 2019, the Obligated Person shall provide the Annual Disclosure Report to the Dissemination Agent (of other than the Obligated Person). The Obligated Person shall provide, or cause the preparer of the Annual Disclosure Report to provide, a written certificate with each Annual Disclosure Report furnished to the Dissemination Agent to the effect that such Annual Disclosure Report constitutes the Annual Disclosure Report required to be furnished under the Disclosure Agreement. The Dissemination Agent may conclusively rely upon such certification and shall have no duty or obligation to review such Annual Disclosure Report.

(c) The Flood Control District shall use its best efforts to assist the Obligated Person in preparing the Annual Disclosure Report for delivery to the Dissemination Agent no later than March 15 of each year.

(d) Not later than the Filing Date, the Dissemination Agent shall provide written notice confirming whether or not such Annual Disclosure Report has been furnished by the Obligated Person.

(e) If the Obligated Person is unable to provide the Annual Disclosure Report to the Dissemination Agent by the Filing Date of each year commencing March 31, 2019, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

- (f) The Dissemination Agent shall:
 - (i) If not previously filed by the Obligated Person, send a notice to the MSRB if the Participating Agency, is unable to provide to the Annual Filing to the MSRB by the date required in subsection (a); and
 - (ii) to the extent information is known to it, file a report with the Obligated Person certifying that the Annual Disclosure Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Disclosure Reports. The Annual Disclosure Report shall contain or include by reference the following:

(a) The audited financial statements of the Obligated Person prepared in accordance with generally accepted accounting principles in effect from time to time. If any of such audited financial statements are not available by the time the Annual Disclosure Report is required to be filed pursuant to Section 3(a), the Annual Disclosure 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 Disclosure Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Filing Date, financial and operating data with respect to the Obligated Person for the preceding Fiscal Year, substantially similar to the financial and operating data in the Official Statement as follows:

- (i) Principal and interest payment delinquencies;
- (ii) Table A2-1 Water Connections;
- (iii) Table A2-2 Water Deliveries;
- (iv) Table A2-3 Water Sales Revenues;
- (v) Table A2-7 Secured Assessed Valuation[†];
- (vi) Table A2-8 Operating Results;
- (vii) Information concerning any revisions to the adopted rates and charges which are generally imposed by the Obligated Person upon users within the service area of its Water Enterprise; and
- (viii) For any customer whose total billings in the preceding Fiscal Year represent 10% or more of Gross Revenues of the Water Enterprise: (A) the total amount of Gross Revenues derived from such customer; and (B) the percent of Gross Revenues represented by such customer for such Fiscal Year.

[†] This data is provided for informational purposes only. The Obligated Person is a party to a Nacimiento Project Water Delivery Entitlement Contract (the "Delivery Contract") with the Flood Control District that permits the Obligated Person to issue additional "Municipal Obligations" to fund all or a portion of the Delivery Contract Payments with the levy of *ad valorem* property taxes, special assessments or special taxes. As of the date of this Disclosure Agreement, the Obligated Person had not levied any *ad valorem* property taxes, special assessments or special taxes to fund any of its Delivery Contract Payments.

(c) In addition to any of the information expressly required to be provided under Sections 4(a) and 4(b), the Obligated Person shall provide such other information, if any, necessary to the required statements, in light of the circumstances under which they were made, not misleading.

(d) The presentation and format of the Annual Disclosure Reports may be modified from time to time as determined in the judgment of the Obligated Person to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Obligated Person to reflect changes in the business, structure, operations, legal form of the Obligated Person or any mergers, consolidations, acquisitions or dispositions made by or affecting the Obligated Person; provided that any such modifications shall comply with the requirements of the Rule.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Obligated Person or related public entities, which have been made available to the public on the MSRB website. The Obligated Person shall clearly identify each such other document so included by reference.

SECTION 5. Termination of Reporting Obligation. The obligations of the Obligated Person under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds. If such termination occurs prior to the final maturity of the 2018 Bonds, the Obligated Person shall give notice of such termination to the MSRB.

SECTION 6. Dissemination Agent. The Obligated Person may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Obligated Person.

The initial Dissemination Agent shall be the Flood Control District.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), or 4, 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 2018 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the 2018 Bonds, 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 2018 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of a nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2018 Bonds.

(d) Any amendment that modifies or increases the duties or obligations of the Dissemination Agent shall be agreed to in writing by the Dissemination Agent.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Obligated Person shall describe such amendment in the next Annual Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Obligated Person. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Specified Event, and (ii) the Annual Disclosure Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a Specified Event, in addition to that which is required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Disclosure Report or notice of occurrence of a Specified Event in addition to that which is specifically required by this Disclosure Agreement, the Obligated Person shall have no obligation under this Agreement to update such information or include it in any future Annual Disclosure Report or notice of occurrence of a Specified Event.

SECTION 9. Default. This Disclosure Agreement shall be solely for the benefit of the holders and beneficial owners from time to time of the 2018 Bonds. In the event of a failure of the Obligated Person to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Participating Underwriter or the Holders of at least twenty-five (25%) aggregate principal amount of Outstanding Bonds and upon receipt of indemnity satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the 2018 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by order of a court of competent jurisdiction in San Luis Obispo County, California, to cause the Obligated Person to comply with its obligations under this Disclosure Agreement, *provided* that any holder or beneficial owner seeking to require the Obligated Person to comply with this Disclosure Agreement shall first provide at least thirty (30) days prior written notice to the Obligated Person of the failure of the Obligated Person, giving reasonable detail of such failure. Failure by the Obligated Person to comply with any provision of this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Obligated Person to comply with the terms of this Disclosure Agreement shall be an action to compel performance. No person or entity shall be entitled to recover monetary damages under this Disclosure Agreement.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Obligated Person 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 Dissemination Agent shall be paid compensation by the Obligated Person for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Obligated Person under this Section 10 shall survive resignation or removal of the Dissemination Agent and payment of the 2018 Bonds.

SECTION 11. Notices. Any notices or communications to the Obligated Person or the Dissemination Agent may be given as follows:

Obligated Person:

City of El Paso de Robles
City Hall
1000 Spring Street
Paso Robles, CA 93446
Attention: Director of Administrative Services
Phone: 805-237-3888

Dissemination Agent:

San Luis Obispo Flood Control and Water Conservation District
County Government Center
1055 Monterey Street
San Luis Obispo, CA 93408
Attention: Auditor-Controller
Phone: 805-781-5040

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Flood Control District, the Trustee, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

SECTION 13. Record Keeping. The Obligated Person shall maintain records of Annual Disclosure Reports and notices of Specified Events, including the content of such disclosure, the name of the entities with which such disclosure was filed and the date of filing of such disclosure.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but on and the same instrument.

CITY OF EL PASO DE ROBLES

By: _____
Authorized Officer

Accepted:

SAN LUIS OBISPO COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT, as
Dissemination Agent

By: _____
Chairman

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL DISCLOSURE REPORT

Name of Obligated Person: City of El Paso de Robles
Name of Bonds: SLO County Financing Authority Nacimiento Water Project Refunding Revenue Bonds 2018 Series A
Date of Delivery: April __, 2018

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of April __, 2018, with respect to the 2018 Bonds. [The Obligated Person anticipates that the Annual Disclosure Report will be filed by _____.]

SAN LUIS OBISPO COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT

By: _____

[cc: Obligated Person]