

TO: BOARD OF DIRECTORS

FROM: MARIO E. IGLESIAS  
GENERAL MANAGER



DATE: JULY 16, 2020

**AGENDA ITEM**

**E-2**

**JULY 22, 2020**

**PROPOSED AUTHORIZATION OF THE ISSUANCE OF NIPOMO  
COMMUNITY SERVICE DISTRICT ASSESSMENT DISTRICT NO. 2020-1  
(BLACKLAKE SEWER CONSOLIDATION) LIMITED OBLIGATION  
IMPROVEMENT BONDS, SERIES 2020**

**ITEM**

Consider for adoption the following resolutions:

Resolution Determining Unpaid Assessments

Resolution Determining Unpaid Assessments for Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation)

Resolution of Issuance

Resolution Authorizing and Providing for the Issuance of Bonds Pursuant to the Provisions of the Improvement Bond Act of 1915 for Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) and Approving Certain Documents and Authorizing Certain Actions in Connection Therewith

[RECOMMEND ADOPT RESOLUTIONS AUTHORIZING THE BOND ISSUE]

**BACKGROUND**

The Board of Directors initiated proceedings for the formation of an assessment district (the "Assessment District"), pursuant to the provisions of the Municipal Improvement Act of 1913 (the "Improvement Act") for the purpose of financing the improvements necessary to combine the Town and Blacklake sewer systems (the "Project").

The proposed assessment district would be formed in accordance with the Improvement Act, Special Assessment Investigation, Limitation and Majority Protest Act of 1931, Article XIID of the California Constitution ("Article XIID") and the Proposition 218 Omnibus Implementation Act ("Proposition 218"). The Board retained Willdan Financial Services to prepare an Engineer's Report which (a) describes the boundaries of the Assessment District, (b) the cost of the improvements, (c) the determination of the general versus special benefit, (d) the methodology utilized to spread the proposed assessments, and (e) the amount of the total proposed assessment for each parcel.

On March 11, 2020, the Board (a) approved the boundaries, (b) preliminarily approved the Engineer's Report, (c) declared its intention to form the Assessment District and issue bonds, (d) set May 13, 2020 as the date for a public hearing and to return assessment ballots, and (e) approved balloting procedures.

Notice and Assessment Ballots were mailed providing property owners with at least 45 days' notice of the public hearing. On May 13<sup>th</sup> the Board held the public hearing relating to the

Assessment District and tabulated the assessment ballots. The Assessment District passed with 78% approval. On May 13<sup>th</sup> the Board formed the assessment district and confirmed the assessments.

Each property owner was given the opportunity, during the legally required 30-day cash collection period, to pay their assessment in part or in full or allow the unpaid assessment amount to be bonded and repaid, with interest over 30 years. Forty-six (46) owners took advantage of the cash collection period in which the District received \$948,848.90 (representing \$1,078,367.42 of original assessment amount reduced by related prepayment discount). Therefor the principal amount of the Bonds cannot exceed \$12,131,633 which the amount of the unpaid assessments as confirmed on May 13, 2020. Due to bond market conditions, the Bonds are expected to be sold in an amount less than \$12,131,633. Bond may be sold at premium to investors which will reduce the principal amount of the bonds. The District will received the premium in lieu of the higher principal amount.

Actions to be considered today is to adopt a resolution determining the unpaid assessments and to authorize the issuance of the Bonds.

The Bonds are proposed to total \$11,250,000 with \$10,411,368 to be used to fund the Improvements, along with the bond premium, cash collection amount and District contribution. The lien of the assessment installments is senior to all private financing providing security to the bondholders. Potential investors will look closely at the value of the property underlying the Bonds relative to the assessment lien. Most industry professionals, including the District's policies, consider a 3.5:1 value to lien as a minimum for property securing an assessment bond issue. Based on assessed values, the aggregate average value to lien for these bonds is over 20:1. . A bond rating and bond insurance has been applied for. The bonds are expected to be rated "A-" or "BBB+". The Bonds will be sold by negotiated sale to the firm of Piper Sandler, who was selected pursuant to an RFP process. The Bond sale is expected to occur on August 5, 2020.

If the Teeter Plan is not in use by the County for the assessment district, the District as part of the bond issuance, will covenant to undertake judicial foreclosure proceedings in the event of delinquency in the payment of the assessment installments under certain circumstances. There is no Sewer Enterprise Fund obligation to pay bond debt service. Based on current market conditions, Bonds will have a bond reserve fund equal to \$311,765 and the expected annual bond debt service is approximately \$622,000.

The Bonds are proposed to be sold through a negotiated sale by Piper Sandler & Co. in July with closing scheduled for August. The final bond maturity is September 2, 2050, just over 30 years. The final interest cost will depend on market interest rates at time of sale. The currently estimated all in true interest cost is 3.13% which is below the 4% rate originally assumed. The bond markets have been relatively stable, but final bond interest rates may be higher or lower depending on interest rates at time of sale.

The public disclosures required under SB 450, effective January 1, 2018, are incorporated herein. The estimates have been determined as of July 10, 2020. Specifically:

- 1) *The all in 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 new issue of Bonds is estimated to be 3.13%.*
- 2) *The finance charge of the Bonds, which means the sum of all fees and charges paid to third parties is estimated to be \$370,558. Bond insurance premiums, which*

*lower interest cost in excess of the fees charged, are estimated to be \$137,653. Such insurance may or may not be available.*

- 3) *The amount of proceeds received by the public body for sale of the Bonds less the finance charge of the Bonds described and any reserves or capitalized interest paid or funded with proceeds of the Bonds is estimated to be \$10,413,704.*
- 4) *The total payment amount, which means the sum total of all payments the borrower will make to pay debt service on the Bonds plus any finance charge of the Bonds not paid with the proceeds of the Bonds. The total payment amount calculated to the final maturity of the Bonds is estimated to be \$18,128,628.*

Final sizing of the Bonds is expected to be \$11,250,000 and will be determined at the pricing scheduled for August 5th of 2020.

Although the District formed the Assessment District, the bond issuance is not an obligation of the District and the Bonds are secured solely by the properties subject to the assessment. The Districts' only obligation is to administer the bonds and pursue actions for non-payment of annual assessments as discussed below.

The action today by the Board, is to approve the issuance of the Bonds in an amount not to exceed \$12,131,633, along with the approval of related bond documents. These documents briefly described below and are as follows:

**General Summary of Security:** These Bonds are secured by the unpaid assessments levied on the properties in the Assessment District and, ultimately, by the properties themselves. In addition, a reserve fund for the Assessment District is established from Bond proceeds. The reserve fund can be used to pay debt service in the event that a property owner does not pay its assessment installments on time. Once the reserve fund is depleted, the District has NO obligation to advance funds to pay the Bonds. Each year assessment installments will be levied by the District against the properties in the Assessment District as part of the County property tax bill. In the event a property owner becomes delinquent on its property tax payment, the District covenants to initiate foreclosure proceedings provided the delinquency for such parcel is \$3,000 or more, and the District receives assessment installments in an amount which is less than 95 percent of the total assessments levied. This covenant is very important to bond owners, as the property itself is the ultimate security for the bonds. It is anticipated that the Assessment District will be part of the County's Teeter Plan, which, if the case, the District will need not take any action unless the County changes its Teeter policy.

**Fiscal Agent Agreement:** Key legal document that lays out the legal structure and terms of the financing. It specifies payment dates, maturity dates, interest rate and transfer restrictions of the Bonds; revenues and accounts specifically pledged to the repayment of the Bonds; flow of funds; default and remedy provisions; additional bonds test, redemption and defeasance provisions in the event the Bonds are prepaid; and covenants of the District (including foreclosure covenants). It is drafted by Norton Rose Fulbright US LLP, (the "Bond Counsel") and executed by the District and The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent").

**Official Statement:** This document describes the security and discloses potential risks to prospective investors. It will generally describe the sources of payment for the Bonds, the nature of the improvement project, the value of the land ultimately securing the Bonds, economic and demographic characteristics of the Assessment District, and inherent known risk factors associated with the security. The Preliminary Official Statement (often referred to as the "POS") is distributed by the Underwriter to prospective investors prior to the bond sale so that they can

make informed purchase decisions. The POS should be as close to final as possible with the actual terms of the pricing (interest rates and principal amounts) left necessarily blank. The Final Official Statement (the "FOS") will be prepared shortly after the bond sale and must be available in time for bond closing. While the District's legal counsel, consultants, and staff have participated in preparing the POS, the District staff are ultimately responsible for ensuring that the POS is accurate, contains no misleading information and does not omit any information necessary to make the POS not misleading to investors. The POS and FOS are drafted by Bond Counsel, acting as disclosure counsel, and the FOS is executed by the District.

**Continuing Disclosure Certificate:** This certificate outlines the updated information related to the security that the District will agree to provide to the bond markets. Disclosure is required annually, and on an exceptional basis for any major "material" event. This document is drafted by Bond Counsel and executed by the District.

**Bond Purchase Agreement:** This contract is executed on the day of the bond sale, specifies the actual principal amounts, interest rates and prices at which the Bonds will be sold. In it, the Underwriter commits to purchase the Bonds at closing at the agreed upon prices and amounts subject to certain closing conditions. Closing conditions generally relate to the execution and validity of all required documents and the absence of material changes in the nature of the security. It is drafted by Underwriter's Counsel, reviewed by Bond Counsel, and executed by the District and the underwriter, in consultation with the District's Municipal Advisor.

More specific details of the financing can be found in the drafts of the documents referenced above. The documents being recommended for approval are available in the office of the Secretary.

### FISCAL IMPACT

Staff time and professional consulting services related to the Blacklake consolidation project are included in the 2019-20 budget. These costs are capitalized and included in the project cost and are recoverable if the assessment district is formed and bonds are sold.

### STRATEGIC PLAN

Goal 2. FACILITIES THAT ARE RELIABLE, ENVIRONMENTALLY SENSIBLE AND EFFICIENT. Plan, provide for and maintain District facilities and other physical assets to achieve reliable, environmentally sensible, and efficient District operations.

A.2 Develop a pathway to complete needed upgrades and replacements for the Blacklake wastewater treatment plant.

B.1 NCS D shall maintain long-range infrastructure management, upgrade and replacement planning.

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.

B.5 Maintain adequate rates to fund future capital replacements.

**RECOMMENDATION**

Staff recommends that your Board review the attached resolutions, provide comment and consider, by motion and roll call vote, the adoption of the attached resolutions.

**ATTACHMENTS**

- A. Resolution No. 2020-XXXX: Resolution Determining Unpaid Assessment
- B. Resolution No. 2020-XXXX: Resolution of Issuance
- C. Form of Fiscal Agent Agreement
- D. Form of Preliminary Official Statement and Continuing Disclosure Certificate
- E. Form of Bond Purchase Agreement

JULY 22, 2020

ITEM E-2

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2020-XXXX**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
NIPOMO COMMUNITY SERVICES DISTRICT DETERMINING  
UNPAID ASSESSMENTS FOR NIPOMO COMMUNITY  
SERVICES DISTRICT ASSESSMENT DISTRICT NO. 2020-1  
(BLACKLAKE SEWER CONSOLIDATION)**

WHEREAS, the Board of Directors (the "Board") of the Nipomo Community Services District, California (the "District") has previously undertaken proceedings under the Municipal Improvement Act of 1913 (the "1913 Act"), being Division 12 of the Streets and Highways Code of the State of California, and has confirmed assessments for the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) (the "Assessment District"), and an Assessment Diagram and Notice of Assessment has been recorded on June 10, 2020, in the office of the County Recorder of the County of San Luis Obispo; and

WHEREAS, such proceedings provide that bonds representing the unpaid assessments (the "Bonds") will be issued pursuant to the Improvement Bond Act of 1915 (the "1915 Act"), being Division 10 of the Streets and Highways Code; and

WHEREAS, the Assessment Engineer has filed with the Secretary a list of unpaid assessments for the Assessment District, a copy of which list is attached hereto as Exhibit "A" and by this reference incorporated herein, certifying the amount of the assessments remaining unpaid as shown on Exhibit "A"; and

WHEREAS, this Board wishes to establish \$12,131,632.58 as the amount of the unpaid assessments and to ratify the amount of \$12,131,633 as the maximum principal amount of the limited obligation improvement bonds to be authorized and issued in these proceedings upon the security of said assessments.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE NIPOMO COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS AS FOLLOWS:**

Section 1. The above recitals are all true and correct.

Section 2. The District hereby finds and determines, as set forth in Exhibit "A," that the amount of assessments remaining unpaid in the Assessment District is \$12,131,632.58, and, that by separate resolution, the District has authorized the issuance of a series of limited obligation improvement bonds in a principal amount of not to exceed \$12,131,633.

Section 3. The unpaid assessments shall be payable in the manner provided in Section 8680 et seq. of the 1915 Act, and shall be payable in the same manner and at the same time and in the same installments as the general taxes of the District on real

Nipomo Community Services District  
Resolution No. 2020-XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT DETERMINING UNPAID ASSESSMENTS  
FOR NIPOMO COMMUNITY SERVICES DISTRICT ASSESSMENT DISTRICT  
NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)**

property are payable. Pursuant to Section 8682 of the 1915 Act, a certified copy of this resolution and a copy of the list of unpaid assessments shall be filed by the Secretary in the Office of the Auditor-Controller of the County of San Luis Obispo. Said County Auditor-Controller is requested to proceed in accordance with Section 8682 of the 1915 Act in the collection of installments of these assessments and the interest thereon on the secured property tax assessment roll of the County of San Luis Obispo.

Section 5. The actions taken and to be taken of the Secretary, the District staff and consultants relating to the preparation of the list of unpaid assessments and filing the same with the County Auditor-Controller is hereby confirmed and ratified.

Section 6. This Resolution shall take effect upon its adoption by the Board.

Upon a motion by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, on the following roll call vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

the foregoing resolution is hereby passed and adopted at a special meeting on this \_\_\_\_ day of July, 2020.

\_\_\_\_\_  
DAN ALLEN GADDIS  
President of the Board

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
MARIO IGLESIAS  
Secretary to the Board

\_\_\_\_\_  
CRAIG A. STEELE  
District Legal Counsel

**EXHIBIT A**  
**FORM OF**  
**CERTIFICATE OF PAID AND UNPAID ASSESSMENTS**

**NIPOMO COMMUNITY SERVICES DISTRICT**  
**NIPOMO COMMUNITY SERVICES DISTRICT ASSESSMENT DISTRICT NO. 2020-1**  
**(BLACKLAKE SEWER CONSOLIDATION)**

I HEREBY CERTIFY that the attached list of Paid and Unpaid Assessments correctly reflects (1) that the total amount of assessments recorded on June 10, 2020, was \$13,210,000, (2) that the total amount of cash payments received by the Nipomo Community Services District (the "District") from property owners on account of assessments levied in the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) (the "Assessment District") prior to the expiration of the cash payment period on or about June 30, 2020, as reported to me by the Treasurer of the District, is \$948,848.90, representing \$1,078,367.42 of original assessment amount reduced by related prepayment discount, and (3) that, after deducting said amount of \$1,078,367.42 from the \$13,210,000.00 originally levied and recorded, the amount of the assessments remaining unpaid in the Assessment District is therefore \$12,131,632.58.

Executed at Nipomo, California, on July \_\_\_, 2020.

\_\_\_\_\_  
Secretary

JULY 22, 2020

ITEM E-2

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2020-XXXX**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT AUTHORIZING AND  
PROVIDING FOR THE ISSUANCE OF BONDS PURSUANT TO THE  
PROVISIONS OF THE IMPROVEMENT BOND ACT OF 1915 FOR  
NIPOMO COMMUNITY SERVICES DISTRICT ASSESSMENT  
DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)  
AND APPROVING CERTAIN DOCUMENTS AND AUTHORIZING  
CERTAIN ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the Board of Directors (the "Board") of the Nipomo Community Services District, California (the "District") has previously undertaken proceedings under the Municipal Improvement Act of 1913 (the "1913 Act"), being Division 12 of the Streets and Highways Code of the State of California, for the formation of the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) (the "Assessment District"), and has confirmed an assessment in the amount of Thirteen Million Two Hundred Ten Thousand Dollars (\$13,210,000), which assessment and a related diagram were recorded in the office of the Director of Engineering and Operations, acting as the Superintendent of Streets; and

**WHEREAS**, a notice of assessment, as prescribed in Streets and Highways Code Section 3114, was recorded with the County Recorder of the County of San Luis Obispo (the "County"), whereupon the assessment attached as a lien upon the property assessed within the Assessment District as provided in Streets and Highways Code Section 3115; and

**WHEREAS**, the District approved a list of unpaid assessments in the amount of \$12,155,075.35 for the Assessment District; and

**WHEREAS**, said proceedings provide that bonds in an amount not to exceed the unpaid assessments (the "Bonds") will be issued pursuant to the Improvement Bond Act of 1915 (the "1915 Act"), being Division 10 of the Streets and Highways Code to represent and be secured by the unpaid assessments on the parcels within the Assessment District; and

**WHEREAS**, it is necessary and desirable that the District sell the Bonds to be issued to represent the unpaid assessments and that the Bonds be issued primarily to finance the acquisition and construction of certain public capital facilities needed to combine the Town sewer system and Blacklake sewer system ("Project"); and

**WHEREAS**, there has been presented to the Board the forms of a Fiscal Agent Agreement between the District and U.S. Bank National Association, as Fiscal Agent ("Fiscal Agent Agreement"), a Continuing Disclosure Certificate, to be executed by the District in connection with the issuance of the Bonds ("Continuing Disclosure Certificate"), a Bond Purchase Agreement to be entered into between the District and Piper Sandler & Co. ("Underwriter"), as the purchaser of the Bonds ("Bond Purchase

Nipomo Community Services District  
Resolution No. 2020-XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT AUTHORIZING AND PROVIDING FOR  
THE ISSUANCE OF BONDS PURSUANT TO THE PROVISIONS OF THE  
IMPROVEMENT BOND ACT OF 1915 FOR NIPOMO COMMUNITY  
SERVICES DISTRICT ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE  
SEWER CONSOLIDATION) AND APPROVING CERTAIN DOCUMENTS AND  
AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH**

Agreement”), and the form of a Preliminary Official Statement for the Bonds (“Preliminary Official Statement”); and

**WHEREAS**, the District desires to approve the forms of the Fiscal Agent Agreement, the Continuing Disclosure Certificate and the Bond Purchase Agreement; to authorize the issuance of the Bonds and the sale thereof to the Underwriter on the terms approved hereby; to authorize the provision of the Preliminary Official Statement to prospective purchasers of the Bonds and to authorize the officers of the District to take all actions required for the issuance of the Bonds.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE NIPOMO COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS AS FOLLOWS:**

Section 1. The above recitals are all true and correct and incorporated herein by this reference.

Section 2. The Fiscal Agent Agreement is approved in substantially the form presented to the Board. The President, the General Manager, the Treasurer, acting as Treasurer of the Assessment District, and the Director of Engineering and Operations, and their written designee(s) (“Authorized Officers”), is authorized and directed to execute, and the Secretary, or his or her written designee(s), is authorized to attest to, the Fiscal Agent Agreement substantially in the form approved with such additions thereto and changes therein as the officer or officers executing the Fiscal Agent Agreement deem necessary to cure any ambiguity or defect therein, to insert the offering price(s), interest rate(s), selling compensation, principal amount per maturity, redemption dates and prices and such other related terms and provisions of the Bonds, or to conform any provisions therein to the Bond Purchase Agreement and the Official Statement, or as required by the District Counsel, and the District’s Bond Counsel, Norton Rose Fulbright US LLP (“Bond Counsel”). Approval of such changes shall be conclusively evidenced by the execution and delivery of the Fiscal Agent Agreement by one or more Authorized Officers.

Section 3. Bonds in an aggregate principal amount not to exceed Twelve Million One Hundred Thirty-One Thousand Six Hundred Thirty-Three Dollars and 00/100 (\$12,131,633) representing the amount of the unpaid assessments shall be issued pursuant to the provisions of the 1915 Act upon the security of unpaid assessments levied within the Assessment District and as set forth in the Fiscal Agent Agreement. The Bonds

Nipomo Community Services District  
Resolution No. 2020-XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT AUTHORIZING AND PROVIDING FOR  
THE ISSUANCE OF BONDS PURSUANT TO THE PROVISIONS OF THE  
IMPROVEMENT BOND ACT OF 1915 FOR NIPOMO COMMUNITY  
SERVICES DISTRICT ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE  
SEWER CONSOLIDATION) AND APPROVING CERTAIN DOCUMENTS AND  
AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH**

shall be dated, be in such aggregate principal amount, bear interest at such rates, and mature on such dates and in such amounts as are set forth in the Bond Purchase Agreement upon the execution and delivery thereof in accordance with Section 7 below. The Bonds shall be issued substantially in the form of bonds set forth in the 1915 Act, except as such form may vary from the terms and conditions set forth in this Resolution and the Fiscal Agent Agreement. The principal amount of the Bonds to be sold will be determined by the General Manager or the Treasurer.

Neither the faith and credit nor the taxing power of the District, the County, the State of California or any political subdivision thereof is pledged to the payment of the Bonds. The District is not obligated to advance available funds from the District treasury to the Redemption Fund in the event of a delinquency in the payment of an assessment installment or installments. The Bonds are not general obligations of the District; they are limited obligations payable solely from the funds specified in the 1913 Act and the 1915 Act and the Fiscal Agent Agreement.

The Bonds are being issued in compliance with the District's Amended Debt Management Policy. In addition, in accordance with Government Code section 5852.1, this Board has been presented with certain Good Faith Estimates for the Bonds, which Good Faith Estimates are incorporated herein by reference.

Section 4. The provisions of Part 11.1 (commencing with Section 8760) of the 1915 Act, providing an alternative procedure for the division of land and the Bonds, shall apply.

Section 5. The Continuing Disclosure Certificate is approved in substantially the form presented to the Board; and each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of the District, to execute the Continuing Disclosure Certificate substantially in the form hereby approved, with such additions thereto and changes therein, including the selection of an alternate Dissemination Agent from time to time, as may be approved by the Authorized Officer executing such agreement or required by the District Counsel or Bond Counsel, such approval or requirement to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate.

Section 6. The form of the Preliminary Official Statement presented at this meeting is hereby approved, and the Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Bonds in the form hereby

Nipomo Community Services District  
Resolution No. 2020-XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT AUTHORIZING AND PROVIDING FOR  
THE ISSUANCE OF BONDS PURSUANT TO THE PROVISIONS OF THE  
IMPROVEMENT BOND ACT OF 1915 FOR NIPOMO COMMUNITY  
SERVICES DISTRICT ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE  
SEWER CONSOLIDATION) AND APPROVING CERTAIN DOCUMENTS AND  
AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH**

approved, together with such additions thereto and changes therein as are determined necessary by the General Manager, the Treasurer or the Director of Engineering and Operations, or the written designee of any, to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, as amended, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading. Each of the Authorized Officers is hereby authorized to execute a final Official Statement in the form of the Preliminary Official Statement, together with such changes as are determined necessary by the General Manager, or his written designee, to make such Official Statement complete and accurate as of its date. The Underwriter is further authorized to distribute the final Official Statement for the Bonds and any supplement thereto to the purchasers thereof upon its execution by one of the Authorized Officers.

Section 7. Subject to Section 3 hereof, the sale of the Bonds to the Underwriter is hereby approved provided that (a) the Underwriter's discount, exclusive of original issue discount, shall not exceed 1.0% of the original aggregate principal amount of the Bonds, (b) the interest rates on the Bonds shall not exceed four percent (4.0%) per annum, and (c) the final principal amounts, discount and interest rates for the Bonds shall have been approved by the General Manager, or the Treasurer; and, subject to such approval, any one of the Authorized Officers is hereby authorized and directed to evidence the District's acceptance of the offer made by executing and delivering to the Underwriter a Bond Purchase Agreement substantially in the form hereby approved with such additions thereto and changes therein as may be approved by the Authorized Officer executing the agreement, or required by the District Counsel or Bond Counsel, such approval or requirement to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement.

Section 8. The Fiscal Agent is hereby authorized and directed to authenticate the Bonds and to deliver them to The Depository Trust Company on behalf of the Underwriter upon payment of the purchase price thereof.

Section 9. The officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the sale and delivery of the Bonds and otherwise to effectuate the purposes of this resolution; and any actions previously taken by such officers for these purposes are hereby ratified and confirmed.

Nipomo Community Services District  
Resolution No. 2020-XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT AUTHORIZING AND PROVIDING FOR  
THE ISSUANCE OF BONDS PURSUANT TO THE PROVISIONS OF THE  
IMPROVEMENT BOND ACT OF 1915 FOR NIPOMO COMMUNITY  
SERVICES DISTRICT ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE  
SEWER CONSOLIDATION) AND APPROVING CERTAIN DOCUMENTS AND  
AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH**

Section 10. Any action authorized or directed in this resolution to be taken or performed by an Authorized Officer may be taken or performed by their designee with the same force and effect as if taken or performed by such Authorized Officer.

Section 11. If any section, subsection, sentence, clause or phrase of this resolution is, for any reason, held to be invalid or unconstitutional, such decision shall not affect the validity or constitutionality of the remaining portions of this resolution. The Board hereby declares that it would have passed this resolution and each section, subsection, sentence, clause or phrase hereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

Section 12. The Board finds that the sale of bonds to finance the acquisition and construction of the Project is categorically exempt from review under the California Environmental Quality Act (Public Resources Code Section 21000 et seq.) ("CEQA") and its implementing guidelines (Title 14 of the California Code of Regulations, Section 15000 et seq.) (the "CEQA Guidelines") pursuant to CEQA Guidelines Section 15302 because the Project consists of the replacement or reconstruction of existing sewer facilities located generally on the same site as the sewer system and equipment being replaced and will have generally the same purpose and capacity as that existing system. Staff is hereby directed to file a Notice of Exemption with the County Clerk within five (5) days of the adoption of this resolution pursuant to Section 15062 of the CEQA Guidelines.

Section 13. This Resolution shall take effect upon its adoption by the Board.

Nipomo Community Services District  
Resolution No. 2020-XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO  
COMMUNITY SERVICES DISTRICT AUTHORIZING AND PROVIDING FOR  
THE ISSUANCE OF BONDS PURSUANT TO THE PROVISIONS OF THE  
IMPROVEMENT BOND ACT OF 1915 FOR NIPOMO COMMUNITY  
SERVICES DISTRICT ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE  
SEWER CONSOLIDATION) AND APPROVING CERTAIN DOCUMENTS AND  
AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH**

Upon a motion by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, on  
the following roll call vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

the foregoing resolution is hereby passed and adopted at a special meeting on this \_\_\_\_  
day of July, 2020.

\_\_\_\_\_  
DAN ALLEN GADDIS  
President of the Board

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
MARIO IGLESIAS  
Secretary to the Board

\_\_\_\_\_  
CRAIG A. STEELE  
District Legal Counsel

JULY 22, 2020

ITEM E-2

ATTACHMENT C

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**FISCAL AGENT AGREEMENT**

**By and Between**

**NIPOMO COMMUNITY SERVICES DISTRICT**

**and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Fiscal Agent**

**Relating to**

**[\$principal amount]  
NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)  
LIMITED OBLIGATION IMPROVEMENT BONDS  
SERIES 2020**

**Dated as of July 1, 2020**

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## FISCAL AGENT AGREEMENT

This Fiscal Agent Agreement, dated as of July 1, 2020 (the "Agreement"), is made and entered into by the Nipomo Community Services District (the "District"), a special district, duly established and existing under the laws of the State of California (the "State"), and The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent") in connection with Assessment District No. 2020-1 (Blacklake Sewer Consolidation) (the "Assessment District").

### WITNESSETH:

WHEREAS, the Board of Directors of the Nipomo Community Services District (the "Board") has taken proceedings under the Municipal Improvement Act of 1913, Division 12 of the California Streets and Highways Code (the "1913 Act"), for the formation of the Assessment District and has confirmed an assessment, which assessment and a related diagram were recorded with the Superintendent of Streets, and a notice of assessment, as prescribed in Section 3114 of the 1913 Act, has been recorded with the County Recorder of the County of San Luis Obispo, whereupon the assessment attached as a lien upon the property assessed within the Assessment District as provided in Section 3115 of the 1913 Act; and

WHEREAS, it is necessary and desirable that the District sell bonds (the "Bonds") pursuant to the Improvement Bond Act of 1915, Division 10 of the California Streets and Highways Code (the "1915 Act"), to be issued to represent the unpaid assessments;

In consideration of the mutual covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

### ARTICLE I DEFINITIONS

**Section 1.01. Definitions.** Unless the context otherwise requires, the following terms shall have the following meanings:

"Administrative Expense Fund" means the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Administrative Expense Fund established with the Treasurer.

"Administrative Expense Requirement" means an amount, not in excess of the aggregate maximum annual assessment for Administrative Expenses permitted to be levied within the Assessment District as set forth in the Engineer's Report, to be specified each year by the Treasurer to be used for Administrative Expenses.

"Administrative Expenses" means the ordinary and necessary fees and expenses for determination of the Assessment and administering the levy and collection of the Assessment and servicing, calling and redeeming the Bonds, including any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the District in carrying out its duties hereunder (including, but not limited to, annual audits and costs incurred in the levying and collection of the Assessment) including the fees and expenses of its counsel and all other costs and expenses of the District or the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder and, in the case of the District, in any way related to the administration of the Assessment District.

“Agreement” means this Fiscal Agent Agreement, as amended or supplemented pursuant to the terms hereof.

“Annual Debt Service” means all principal of, including mandatory sinking fund payments, and interest on the Bonds due in a Bond Year.

“Assessment” or “Assessments” means the special assessments levied in the Assessment District in accordance with the 1913 Act and the Resolution of Formation, exclusive of any assessments levied to pay Administrative Expenses, together with the net proceeds derived from any foreclosure proceedings and interest and penalties thereon.

“Assessment District” means Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation).

“Assessment Fund” means the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Assessment Fund established and held by the District pursuant to Section 5.01 hereof.

“Assessment Installment” means the annual portion of the Assessment levied to pay the principal of, including mandatory sinking fund payments, and interest on the Bonds which does not include assessments levied by the District to pay Administrative Expenses.

“Authorized Investments” means, subject to applicable law, the following:

- (1) Federal Securities;
- (2) an Investment Agreement, acceptable to, and approved in writing by, the Treasurer;
- (3) taxable government money market mutual funds rated in one of the two highest rating categories by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or Moody’s Investors Service, restricted to obligations with average maturities of one year or less, insured or fully guaranteed as to the principal and interest thereon by the full faith and credit of the United States of America or by repurchase agreements collateralized by such obligations including money market mutual funds for which the Fiscal Agent or affiliates receives and retains for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;
- (4) tax-exempt obligations, including tax exempt money market mutual funds, rated at least “A” or higher by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or Moody’s Investors Service, and including those for which the Fiscal Agent or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;
- (5) commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating at the time of purchase as provided for by Moody’s Investors Service or S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an “A” or higher rating for such corporation’s debt, other than commercial paper, as provided for by Moody’s Investors Service or S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and which may not exceed 180 days maturity nor represent more than 10%

of the outstanding paper of an issuing corporation;

- (6) notes, bonds or other obligations which are at all times secured by a perfected first security interest in securities of the types listed by Section 53651 of the California Government Code as eligible securities for the purpose of securing local agency deposits or which are listed as an Authorized Investment under any of the clauses (1) through (5) of this definition (except those described in this clause (6)) and which have a market value, determined at least weekly, at least equal to 102% of the amount of principal and accrued interest on such obligation, which shall be placed by delivery into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation and which bank shall be responsible for making any market value determinations, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted;
- (7) the State of California Local Agency Investment Fund;
- (8) time or demand deposits, interest-bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Fiscal Agent and the District, or bankers acceptances of depository institutions (including those of the Fiscal Agent or its affiliates) fully insured by the Federal Deposit Insurance Corporation or with institutions rated in one of the two highest rating categories by Moody's Investors Service or S&P Global Ratings, a Standard & Poor's Financial Services LLC business;
- (9) repurchase agreements secured by Federal Securities; and
- (10) any other investment in which funds of the District may be legally invested.

"Authorized Representative of the District" means the members of the Board, the General Manager, the Treasurer or any other person or persons designated by the Board of the District and authorized to act on behalf of the District by a written certificate signed on behalf of the District by any member of the Board and containing the specimen signature of each such person.

"Board" means the Board of Directors of the Nipomo Community Services District.

"Bond Counsel" means an attorney or a firm of attorneys, selected by the District, of nationally recognized standing in matters pertaining to the tax treatment of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

"Bond Purchase Agreement" means the Bond Purchase Agreement authorized and executed by the District and Piper Sandler & Co., as the initial purchaser of the Bonds.

"Bond Register" means the books which the Fiscal Agent shall keep or cause to be kept pursuant to Section 3.04, on which the registration and transfer of the Bonds shall be recorded.

"Bond Year" means the one year period or shorter period ending each year on September 2, or such other date as may be specified by the District.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond is registered as shown on the Bond Register.

“Bonds” means the \$ \_\_\_\_\_ principal amount of Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation Improvement Bonds, Series 2020, issued pursuant to the Resolution of Issuance and this Agreement.

“Business Day” means any day of the year in New York, New York or Los Angeles, California other than a Saturday, Sunday, a day on which the New York Stock Exchange is closed or any day on which the Fiscal Agent is not open for business.

“Certificate of the District” means a written certificate executed by an Authorized Representative of the District.

“Closing Date” means the date of delivery of the Bonds by the District and payment therefor by the original purchaser thereof.

“Code” means the Internal Revenue Code of 1986, as amended.

“Costs of Issuance Fund” means the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Costs of Issuance Fund established with the Fiscal Agent pursuant to Section 5.01 hereof.

“County” means the County of San Luis Obispo.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“DTC Participants” means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

“District” means Nipomo Community Services District, a special district duly organized and existing under the laws of the State of California.

“Engineer’s Report” means the report concerning the Assessment District prepared by Willdan Financial Services, Inc., as preliminarily approved by the District on March 11, 2020 and approved in final form by the District on May 13, 2020, and on file with the Secretary.

“Federal Securities” means, subject to applicable law, United States Treasury notes, bonds, bills or certificates of indebtedness, including United States Treasury Obligations, State and Local Government Series (“SLGS”) or other direct obligations issued by the United States Treasury for which the faith and credit of the United States are pledged for the payment of principal and interest; and obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or other federal agencies or United States Government-sponsored enterprises.

“Fiscal Agent” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 9.02 and 9.03 and any successor thereto.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the District as its Fiscal Year in accordance with applicable law.

“Improvements” means the design, acquisition and construction of certain public capital facilities needed to combine the Town sewer system and the Blacklake sewer system, as described in the Engineer’s Report.

“Improvement Fund” means the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Improvement Fund established pursuant to Section 5.01 of this Agreement and established with the Fiscal Agent.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District and who, or each of whom:

- (1) is in fact independent and not under the domination of the District;
- (2) does not have any substantial interest, direct or indirect, with the District; and
- (3) is not connected with the District as a member, officer or employee of the District, but who may be regularly retained to make annual or other reports to the District.

“Interest Payment Date” means each March 2 and September 2, commencing March 2, 2021.

“Investment Agreement” means one or more agreements entered into between the Fiscal Agent, for the benefit of the District, and an entity or entities whose long term uninsured, unsecured and unguaranteed debt or claims-paying ability is rated as of the date of the Investment Agreement in either of the two highest categories (without regard to gradations of plus and minus within such categories) by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or Moody’s Investors Service, or an agreement between the Fiscal Agent, for the benefit of the District, and an entity which is rated as of the date of the Investment Agreement in either of the two highest categories (without regard to gradations of plus and minus within such categories) by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or Moody’s Investors Service.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“1913 Act” means the Municipal Improvement Act of 1913, being Division 12 (commencing with Section 10000) of the California Streets and Highways Code.

“1915 Act” means the Improvement Bond Act of 1915, being Division 10 (commencing with Section 8500) of the California Streets and Highways Code.

“Nonpurpose Investment” means Authorized Investments described as Nonpurpose Investments in the Tax Certificate.

“Notice of Assessment” means the Notice of Assessment recorded in the Office of the County Recorder of the County of San Luis Obispo on June 10, 2020, as Document No. 2020028262.

“Outstanding Bonds” or “Outstanding” means all Bonds theretofore issued by the District,

except:

- (1) Bonds theretofore canceled or surrendered for cancellation in accordance with Section 12.01 hereof;
- (2) Bonds for the payment or redemption of which moneys shall have been deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Agreement; and
- (3) Bonds defeased pursuant to Sections 11.01(b) or (c) hereof.

“Owner” means, with respect to any Bond, the person shown as the owner thereof in the Bond Register.

“Rebate Fund” means the fund by that name established pursuant to Section 5.01 hereof in which there are established the accounts described in Section 5.01 hereof.

“Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“Rebate Requirement” shall have the meaning ascribed to it in the Tax Certificate.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Redemption Fund established with the Fiscal Agent pursuant to Section 5.01 hereof.

“Refunding Bond Proceeds” mean proceeds of any bonds issued to refund the Bonds pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds.

“Reserve Fund” means the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Reserve Fund established with the Fiscal Agent pursuant to Section 5.01 hereof.

“Reserve Requirement” means, as of any date of calculation, 50% of the then Maximum Annual Debt Service due on the Bonds.

“Resolution of Formation” means Resolution No. 2020-1555, adopted by the Board on May 13, 2020, forming the Assessment District and confirming the levy of assessments in accordance with the Engineer’s Report presented at such meeting.

“Resolution of Intention” means Resolution No. 2020-1547, adopted by the Board of the District on March 11, 2020, stating the District’s intention, among other things, to issue the Bonds.

“Resolution of Issuance” means Resolution No. \_\_\_\_\_, adopted by the Board of the District on July \_\_, 2020, authorizing the issuance of the Bonds and approving the terms and provisions of this Agreement.

“Six-Month Period” means the period of time beginning on the Closing Date of Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds (and any obligations that refund an issue of the Bonds).

“Secretary” means the Secretary of the District and his or her designee.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, New York, New York 10041, Attn: Redemption Area, Facsimile transmission: (212) 855-7232, 855-7233, or such other securities depositories as are designated by the District and whose business is to perform the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of the Securities Exchange Act of 1934, and who is registered as a clearing agency under Section 17A of the Act, such other addresses and/or such other securities depositories as the District may designate in a Certificate of the District delivered to the Fiscal Agent.

“Superintendent of Streets” means the Director of Engineering and Operations of the District, or his or her designee.

“Supplemental Fiscal Agent Agreement” or “Supplement” means any supplemental agreement amending or supplementing this Agreement.

“Tax Certificate” means the Tax Certificate delivered upon the issuance of the Bonds.

“Treasurer” means the Treasurer of the District, acting as Treasurer of the Assessment District pursuant to the Resolution of Issuance, or his or her designee.

“Term Bonds” mean the Bonds maturing on September 2 in the years 20\_\_\_, 20\_\_\_ and 2050.

“2050 Term Bond” means the Term Bond maturing on September 2, 2050.

“Yield on the Bonds” has the meaning as described in the Tax Certificate.

#### **Section 1.02. Interpretation.**

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural, and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

**Section 1.03. Equality of Bonds; Pledge of Assessments; No Obligation to Cure Deficiency.** Pursuant to the 1913 Act, the 1915 Act and this Agreement, the Bonds are equally secured by a first pledge of and shall be equally payable from the Assessments without priority for number, issue date, date of sale, date of execution or date of delivery, and the payment of the interest on and principal, including mandatory sinking fund payments, of the Bonds and any premiums upon the redemption thereof are equally secured by a first pledge of and shall be exclusively paid from the Assessments. The Bonds shall also be secured by a first pledge of moneys on deposit in the Assessment Fund, Redemption Fund and the Reserve Fund which are hereby set aside for the payment of the Bonds. The Assessments, the amounts in the foregoing funds and any interest earned on such amounts shall constitute a trust fund held for the benefit of the Owners of the Bonds to be applied to the payment of the interest on, premium, if

any, and principal of, including mandatory sinking fund payments, the Bonds. So long as any of the Bonds remain Outstanding, such amounts shall not be used for any other purpose, except as permitted by the 1913 Act, the 1915 Act, this Agreement or any Supplemental Fiscal Agent Agreement.

## **ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS**

**Section 2.01. Assessments.** The Assessments remaining unpaid, and the aggregate principal amount thereof, have been determined by the Treasurer and the Treasurer has filed a list of said Assessments in the office of the Superintendent of Streets. For a particular description of the lots or parcels of land bearing the respective assessment numbers set forth in said unpaid list and upon which Assessments remain unpaid, reference is hereby made to the Notice of Assessment and to the diagram recorded in the office of the Superintendent of Streets after confirmation of the Assessments by the Board through the adoption of the Resolution of Formation, the several lots or parcels of land represented by said assessment numbers being so numbered and designated upon the diagram and Assessments as so confirmed and recorded.

Collection of the remaining Assessments shall cease in the event sufficient moneys are available to redeem the Bonds as provided in Section 5.05.

**Section 2.02. Type and Nature of Bonds; Limited Liability.** Notwithstanding anything contained herein, in the Bonds, in the 1915 Act, any other provision of law, or in any of the resolutions adopted in connection with the proceedings for the Assessment District to the contrary, all Bonds authorized pursuant to this Agreement shall be a special obligation of the District, and the District shall not under any circumstances (including, without limitation, after any installment of principal or interest of any Assessment levied on any lot or parcel in the Assessment District becomes delinquent or after the District acquires title to any such lot or parcel whether through foreclosure or otherwise) be obligated to pay principal, premium, if any, or interest on the Bonds from any source whatsoever other than the Redemption Fund (including any transfers thereto from the Improvement Fund, the Assessment Fund and Reserve Fund). Neither the District, the Board, the officers or employees of the District, any person or entity acting for or on behalf of the District in connection with the issuance of the Bonds or in connection with the formation or operation of the Assessment District, nor any persons executing the Bonds, shall be liable personally on the Bonds or be subject to any personal liability for the Bonds or any personal liability or accountability whatsoever by reason of or in connection with the issuance of the Bonds or by reason of any act or acts or the failure or omission to take any act or acts (including, without limitation, a negligent act or omission) in connection with or related to the formation or operation of the Assessment District.

**Section 2.03. Authorization and Purpose of Bonds.** The Bonds shall be designated "Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation Improvement Bonds Series 2020" and shall be issued by the District under and pursuant to the 1915 Act and under and pursuant hereto in the aggregate principal amount equal to a portion of the aggregate amount of the unpaid Assessments determined by the Treasurer pursuant to Section 2.01, and certain costs and expenses. The Bonds may contain or have endorsed thereon such other descriptive provisions, specifications and words not inconsistent with the provisions hereof as may be desirable or necessary to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the District prior to the delivery thereof.

The primary purpose for which the Bonds are to be issued is to provide funds to pay the cost of the Improvements heretofore ordered by the Board.

**ARTICLE III**  
**TERMS AND PROVISIONS OF BONDS**

**Section 3.01. Terms of Bonds.**

(a) The interest on and principal of, including mandatory sinking fund payments, and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America at the office of the Fiscal Agent designated by the Fiscal Agent. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(b) All Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each maturity date, and the ownership of each Bond shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. Except as provided in subsection (e) hereof, all outstanding Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC.

(c) With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, the District and the Fiscal Agent shall have no responsibility or obligation as to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person of any amount with respect to principal of, including mandatory sinking fund payments, premium, if any, and interest on the Bonds. The District and the Fiscal Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal, including mandatory sinking fund payments, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Fiscal Agent shall pay all principal of, including mandatory sinking fund payments, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, including mandatory sinking fund payments, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a certificated Bond evidencing the obligation of the District to make payments of principal, including mandatory sinking fund payments, premium, if any, and interest pursuant to this Agreement. Upon delivery by DTC to the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the word "Cede & Co." in this Agreement shall refer to such new nominee of DTC.

(d) The delivery of a representation letter by the District and the Fiscal Agent (if delivery by the Fiscal Agent is required by DTC) shall not in any way limit the provisions of subsection hereof or in any other way impose upon the District or the Fiscal Agent any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners. The Fiscal Agent shall take all action necessary for all representations in the representation letter with respect to the Fiscal Agent to be complied with at all times.

(e) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the District and the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law.

(ii) The District, in its sole discretion and without the consent of any other person, may

terminate the services of DTC with respect to the Bonds if the District determines that:

(A) DTC is unable to discharge its responsibilities with respect to the Bonds,  
or

(B) a continuation of the requirement that outstanding Bonds be registered in the Bond Register in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the Beneficial Owners of such Bonds.

(iii) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (e)(ii)(B) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (e)(i) or subsection (e)(ii)(A) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the District, is willing and able to undertake such functions upon reasonable and customary terms, the District is obligated to deliver Bond certificates, as described in this Agreement and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names DTC shall designate to the Fiscal Agent in writing, in accordance with the provisions of this Agreement.

(f) Notwithstanding any other provisions of this Agreement to the contrary, as long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal, including mandatory sinking fund payments, or, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the DTC representation letter for the Bonds.

(g) Each Bond shall bear interest from the Interest Payment Date next preceding its date of authentication, unless (i) its date of authentication is after a Record Date and on or before the immediately succeeding Interest Payment Date, in which event the Bond shall bear interest from such Interest Payment Date or (ii) its date of authentication is before the close of business on the first Record Date, in which event the Bond shall bear interest from its dated date; provided, that if at the time of authentication of any Bond interest is then in default on the Outstanding Bonds, such Bonds shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the Bond Register as the registered owner thereof at the close of business on the Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to such registered owner at his address as it appears on such books or at such other address as he may have filed with the Fiscal Agent for that purpose; provided, however, that, in the case of a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon written request of such registered owner to the Fiscal Agent at least fifteen (15) days prior to an Interest Payment Date, such payment may be made by wire transfer to an account within the United States designated by such owner. Payment of the principal of, including mandatory sinking fund payments, and redemption premiums, if any, on the Bonds shall be made by check only to the person whose name appears in the Bond Register as the registered owner thereof, such principal, including mandatory sinking fund payments, and redemption premiums, if any, to be paid only on the surrender of the Bonds at the office of the Fiscal Agent at maturity or on redemption prior to maturity.

(h) The Bonds shall recite, in substance, that the interest on and principal of, including mandatory sinking fund payments, and redemption premiums, if any, on the Bonds are payable solely from the levy of the Assessments and from the funds pledged therefor under this Agreement, that the

Bonds are limited obligations of the District and that the District will not obligate itself to advance available funds from its treasury to cure any deficiency in the Redemption Fund.

(i) From and after the issuance of the Bonds, the findings and determinations of the Board shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue; and no bona fide purchaser of any of such Bonds shall be required to independently establish the existence of any fact or the performance of any condition or the taking of any proceeding required prior to such issuance or the application of the purchase price paid for such Bonds. The recital contained in the Bonds that the Bonds are issued under and pursuant to the 1915 Act and under and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance and all Bonds shall be incontestable from and after their issuance. Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the purchaser thereof and the purchase price thereof received.

**Section 3.02. Execution and Authentication.** The Bonds shall be signed on behalf of the District by the manual or facsimile signature of the Treasurer of the District and by the manual or facsimile signature of the Secretary in their capacity as officers of the District, and the seal of the District (or a facsimile thereof) may be impressed, imprinted, engraved or otherwise reproduced thereon, and attested by the signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed have been authenticated and delivered by the Fiscal Agent (including new Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds shall nevertheless be valid and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office.

Only such Bonds as shall bear thereon such certificate of authentication in the form set forth in Section 6.04 hereof shall be entitled to any right or benefit under this Agreement, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been manually or electronically executed by the Fiscal Agent.

**Section 3.03. Registration, Exchange or Transfer.** The registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the aforesaid office of the Fiscal Agent, accompanied by delivery of a written instrument of transfer in a form acceptable to the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds may be exchanged at the aforesaid office of the Fiscal Agent for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Fiscal Agent will not charge the Owner for any new Bond issued upon any exchange or transfer, but shall require the Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. The cost of printing any Bonds and any services rendered or any expenses incurred by the Fiscal Agent in connection with any exchange or transfer shall be paid by the District as Administrative Expenses. Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond or Bonds of the same maturity for a like aggregate principal amount; provided, that the Fiscal Agent shall not be required to register transfers or make exchanges of Bonds (a) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, or (b) with respect to a Bond after such Bond has been selected for redemption.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Fiscal Agent all information necessary to allow the Fiscal Agent to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Fiscal Agent shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

**Section 3.04. Bond Register.** The Fiscal Agent will keep or cause to be kept, at its corporate trust office, sufficient books for the registration and transfer of the Bonds which shall at all times during regular business hours upon reasonable prior notice be open to inspection by the District; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds as herein provided. The District and the Fiscal Agent may treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the District and the Fiscal Agent shall not be affected by any notice to the contrary. The District and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond Register for any and all purposes. It shall be the duty of the Bondowner to give written notice to the Fiscal Agent of any change in the Owner's address so that the Bond Register may be revised accordingly.

**Section 3.05. Mutilated, Lost, Destroyed or Stolen Bonds.** If any Bond shall become mutilated, the District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor, date, maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be handled in accordance with Section 12.01 of this Agreement. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent; and, if such evidence is satisfactory to the Fiscal Agent and, if indemnity satisfactory to the Fiscal Agent shall be given, the District, at the expense of the Bondowner, shall execute and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and maturity, numbered and dated as such Fiscal Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds issued hereunder. The Fiscal Agent shall not treat both the original Bond and any replacement Bond as being Outstanding Bonds for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond to replace a Bond which has been mutilated, lost, destroyed or stolen, and which has matured or is about to mature, the Fiscal Agent may make payment with respect to such Bond upon receipt of indemnity satisfactory to it and the District.

**Section 3.06. Form of Bonds; Temporary Bonds.** At the option of the District, the definitive Bonds may be typewritten, and the Bonds and the certificate of authentication shall be substantially in the form provided in Section 6.04.

Until definitive Bonds shall be prepared, the District may cause to be executed and delivered, in lieu of such definitive Bonds, temporary Bonds in typed, written, printed, lithographed or engraved form and in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds, except that they may be in any denominations authorized by the District. Until exchanged for definitive Bonds, any temporary Bonds shall be entitled and subject to the same benefits and provisions of this Agreement as definitive Bonds. If the District issues temporary Bonds, it will execute and furnish definitive Bonds without unnecessary delay and thereupon any temporary Bond may be surrendered to the Fiscal Agent at the aforesaid office, without expense to the Owner, in exchange

for a definitive Bond of the same maturity, interest rate and principal amount in any authorized denomination. All temporary Bonds so surrendered shall be canceled by the Fiscal Agent and shall not be reissued.

**ARTICLE IV  
REDEMPTION OF BONDS**

**Section 4.01. Provisions for the Redemption of Bonds.**

(a) Mandatory Redemption from Assessment Prepayments. Whenever, as of an Interest Payment Date, there are sufficient funds in the Prepayment Account of the Redemption Fund from the proceeds of prepayments of Assessments, the Bonds shall be called for redemption as provided in Part 11.1 of the 1915 Act. Each Bond, or any portion thereof, in the principal amount of \$5,000 or any integral multiple thereof, may be redeemed and paid in advance of maturity on any Interest Payment Date in any year pro rata among maturities, by giving notice to the Owner thereof as provided in Section 4.03 below and by paying the principal amount thereof, plus interest to the date of redemption, unless sooner surrendered, in which event said interest will be paid to the date of payment, together with a redemption premium (expressed as percentages of the principal amount of the Bonds to be redeemed) at the following redemption prices:

<i>Redemption Date</i>	<i>Redemption Price</i>
Any Interest Payment Date on or prior to September 2, 2025	103%
March 2, 2026 and September 2, 2026	102
March 2, 2027 and September 2, 2027	101
March 2, 2028 and any Interest Payment Date thereafter	100

(b) Optional Redemption of Bonds from Refunding Bonds. The Bonds maturing on or after September 2, 2031 are subject to redemption prior to their stated maturity dates on any Interest Payment Date on and after September 2, 2030 from such maturities as selected by the District, from Refunding Bond Proceeds, at the redemption price equal to the principal amount being redeemed, without premium, together with accrued interest to the date of redemption.

(c) Optional Redemption of Bonds from Surplus Funds. The Bonds are subject to redemption prior to their stated maturity dates in part, on any date on and after September 2, 2026, among such maturities as selected by the District, from any source of funds other than prepayment of Assessments and Refunding Bond Proceeds, including, but not limited to, surplus monies on deposit in the Improvement Fund and in lieu charges credited to the Assessment District, at the redemption price of \_\_\_% (expressed as a percentage of the principal amount being redeemed), together with accrued interest to the date of redemption.

(d) Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 2, 20\_\_\_, and on September 2, 20\_\_\_ are subject to mandatory redemption, in part by lot, on September 2 in each year commencing September 2, 20\_\_\_ with respect to the Term Bonds maturing on September 2, 20\_\_\_, and commencing September 2, 20\_\_\_ with respect to the Term Bonds maturing on September 2, 20\_\_\_, at redemption prices equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the dates fixed for redemption.

Term Bond Maturing September 2, 20

<i>Redemption Date</i> (September 2)	<i>Principal Amount to be Redeemed</i>
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\_\_\_\_\_  
\*Maturity.

Term Bond Maturing September 2, 20

<i>Redemption Date</i> (September 2)	<i>Principal Amount to be Redeemed</i>
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\_\_\_\_\_  
\*Maturity.

If some but not all of the Term Bonds have been redeemed pursuant to extraordinary or optional redemptions, the total amount of sinking fund payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by reducing each such future sinking fund payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 (for extraordinary redemptions) or as determined by the District (for optional redemptions), in each case as shall be designated pursuant to written notice filed by the District with the Fiscal Agent. The District shall provide the Fiscal Agent a revised sinking fund schedule

(e) Purchase of Bonds. In lieu, or partially in lieu, of such call and redemption, moneys deposited in the Redemption Fund may be used to purchase Outstanding Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds may be made by the District prior to the selection of Bonds for redemption by the Fiscal Agent, at public or private sale as and when and at such prices as the District may in its discretion determine, but only at prices (including brokerage or other expenses) of not more than par, plus the premium, if any, which would be payable with respect to such Bonds upon the redemption thereof, plus accrued interest, and any accrued interest payable upon the purchase of Bonds may be paid from the amount in the Interest Account of the Redemption Fund for payment of interest on the next following Interest Payment Date. The Fiscal Agent shall disburse moneys in the Redemption Fund for such purpose upon written direction of the District.

**Section 4.02. Selection of Bonds for Redemption.** If less than all of the Outstanding Bonds are to be redeemed, the District shall designate the principal amount of Bonds of each maturity to be redeemed as provided for in Section 8768 of the 1915 Act such that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each maturity of the Bonds insofar as possible, and, if the Bonds of such maturity are not then in book-entry form, the Fiscal Agent shall select the particular Bonds to be redeemed from each maturity in said designated amount by lot in such manner as the Fiscal Agent may choose. The Fiscal Agent shall promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

If, at the time of a redemption of less than all of the Bonds of a maturity, the Bonds of such maturity are registered in book-entry only form and the securities depository, or its nominee, is the sole Owner of such Bonds, the Bonds of such maturity shall be redeemed on a "Pro-Rata Pass Through Distribution of Principal" basis in accordance with the securities depository's procedures; provided, however, that such redemption shall be made in accordance with the operational arrangements of the securities depository then in effect. The underwriters of the Bonds have advised the District that the Bonds will be made eligible, in the case of a partial redemption of a maturity thereof, to be treated by the securities depository in accordance with its rules and procedures, as a "pro rata pass-through distribution of principal." The Fiscal Agent shall send notice to the securities depository in accordance with such rules and procedures to effect a pro rata reduction of principal of the applicable Bonds to accomplish partial redemption of the Bonds through a pass-through distribution of principal. In connection with each such redemption, the Fiscal Agent shall include in the notice of redemption sent by the Fiscal Agent pursuant to Section 4.03 the dollar amount per \$5,000 principal amount payable on account of principal and accrued interest to effect a pro-rata reduction through a pass-through distribution of principal on the related redemption date. The securities depository shall be responsible for distributing the principal and accrued interest among its direct participants, as applicable, pro rata in accordance with its rules and procedures for a pro rata pass through distribution of principal based upon the beneficial interest in the Bonds being redeemed that the securities depository's records list as owned by each securities depository direct participant as of the record date for such payment. Any failure of the Fiscal Agent to make such selection or of the securities depository or its participants or any other intermediary, to make such selection or proportional allocation, for whatever reason, will not affect the sufficiency of the validity of the redemption of the Bonds.

If, at the time of a redemption of less than all of the Bonds of a maturity, the Bonds of such maturity are registered in book-entry only form and the securities depository, or its nominee, is the sole Owner of such Bonds, but the securities depository's operational arrangements do not allow for allocation of such redemption on a pro rata pass-through distribution of principal bases, the portion of the Bonds of such maturity to be redeemed shall be selected in accordance with the securities depository's then existing rules and procedures and may be by lot.

**Section 4.03. Notice of Redemption.** When Bonds are to be called for redemption under Section 4.01(a), (b) or (c) and the Fiscal Agent has received the required notice from the District, the Fiscal Agent shall give notice, in the name of the District, of the redemption of such Bonds. Such notice of redemption shall (a) specify the serial numbers and the maturity date or dates of the Bonds selected for redemption, except that where all the Bonds subject to redemption, or all the Bonds of one maturity, are to be redeemed, the serial numbers thereof need not be specified; (b) state the date fixed for redemption and for surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be surrendered for redemption; and (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least thirty (30) days but no more than sixty (60) days prior to the redemption date, the Fiscal Agent shall mail a copy of such notice, by registered or certified mail, postage prepaid, to the respective Owners of Bonds selected for redemption at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption shall not be a condition precedent thereto, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Fiscal Agent that notice of such redemption has been given as herein provided shall be conclusive as against all parties.

A notice of redemption for a redemption pursuant to Section 4.01(a), (b) or (c) above may be

conditioned upon receipt by the District of sufficient funds to effect the redemption. If sufficient funds are not on deposit with the Fiscal Agent at least one day prior to the redemption date, the redemption shall not occur and the Bonds shall remain Outstanding hereunder. If any redemption is cancelled due to a lack of sufficient funds, the Fiscal Agent shall mail a notice to the Owners stating that such redemption was cancelled and did not occur.

Notices of redemption of Bonds registered in the name of DTC's nominee will be mailed by the Fiscal Agent to DTC, or its nominee, and not to the owners of beneficial interests in the Bonds. Notice of redemption will be provided to such beneficial owners only in accordance with the procedures governing the DTC book-entry system.

The Fiscal Agent shall take the following additional actions with respect to such notice of redemption provided that neither the failure to take such actions nor any defect in the action taken shall affect the validity of the proceedings for such redemption. On the date on which the notice to redemption is mailed to the Owners of the Bonds pursuant to the provisions above, such notice of redemption shall be given to one or more of the Securities Depositories if DTC is not the owner of all of the Bonds selected by the District by (i) first class mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service.

**Section 4.04. Partial Redemption of Bonds.** Upon surrender of any Bond to be redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the same interest rate and the same maturity.

**Section 4.05. Effect of Notice and Availability of Redemption Money.** Notice of redemption having been duly given, as provided in Section 4.03, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) the Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Agreement, anything in this Agreement or in the Bonds to the contrary notwithstanding;

(b) upon presentation and surrender thereof at the corporate trust office of the Fiscal Agent, the redemption price of such Bonds shall be paid to the Owner thereof;

(c) from and after the redemption date the Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or portions thereof shall cease to bear further interest; and

(d) from and after the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of this Agreement, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

## **ARTICLE V CREATION OF FUNDS AND ACCOUNTS; APPLICATION OF PROCEEDS AND ASSESSMENTS**

**Section 5.01. Funds and Accounts.** There are hereby created and established the following funds and accounts, which funds and accounts the District agrees and covenants to maintain with the Fiscal Agent so long as any Bonds are Outstanding hereunder:

(a) the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Costs of Issuance Fund (the “Costs of Issuance Fund”);

(b) the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Redemption Fund (the “Redemption Fund”), in which there shall be established and created a Principal Account, an Interest Account, a Capitalized Interest Account and a Prepayment Account;

(c) the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Reserve Fund (the “Reserve Fund”); and

(d) the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Improvement Fund (the “Improvement Fund”).

The District covenants and agrees to establish with the Treasurer the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Administrative Expense Fund (the “Administrative Expense Fund”) and the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Assessment Fund (the “Assessment Fund”).

Except for the Administrative Expense Fund, all moneys in the funds and accounts established hereunder shall be held by either by the Fiscal Agent or the Treasurer for the benefit of the Bondowners, shall be accounted for separately and apart from all other accounts, funds, money or other resources of the District held by the Fiscal Agent and shall be allocated, applied and disbursed solely to the uses and purposes hereinafter set forth in this Article.

The Fiscal Agent may establish such additional funds, accounts or subaccounts of the funds or accounts listed above as it deems necessary or prudent to further its duties pursuant to this Agreement or any Supplemental Fiscal Agent Agreement and shall establish any additional funds, accounts or subaccounts which the District directs it to establish.

**Section 5.02. Costs of Issuance Fund.** The Fiscal Agent shall deposit into the Costs of Issuance Fund the amounts specified in Section 6.05. The Fiscal Agent shall pay the costs of issuing the Bonds from the Costs of Issuance Fund as set forth in written requisitions submitted by an Authorized Representative of the District from time to time which requests shall be substantially in the form set forth in Exhibit B hereto. Each such written requisition of the District shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts. Amounts on deposit in the Costs of Issuance Fund after the completion of the Improvements and the payment of all claims with respect thereto shall be used as determined by the District in the manner provided in Section 10427 of the 1913 Act. At the direction of an Authorized Representative of the District, the Fiscal Agent shall transfer any remaining balance in the Costs of Issuance Fund for deposit in the Improvement Fund and the Costs of Issuance Fund shall be closed.

**Section 5.03. Assessment Fund.** Upon receipt of Assessment Installments, the Treasurer shall immediately deposit the Assessment Installments into the Assessment Fund. On or prior to the 25<sup>th</sup> day of February and August of each year commencing February 25, 2023, the District shall transfer to the Fiscal Agent for deposit to the following funds and accounts the amounts set forth in the following clauses, in the following order of priority:

(a) the Interest Account of the Redemption Fund, an amount sufficient to make the payment of interest due on the next succeeding Interest Payment Date for the Bonds;

(b) the Principal Account of the Redemption Fund, the amount needed to make the payment of principal, including mandatory sinking fund payments, due on the following September 2 on the Outstanding Bonds;

(c) the Reserve Fund, the amount needed to restore the Reserve Fund to the Reserve Requirement; and

(d) the Rebate Fund, the amount, if any, as specified in a written direction of the District.

At the election of the District, some or all of the moneys remaining in the Assessment Fund after the deposits described above shall be transferred by the Treasurer to the Prepayment Account of the Redemption Fund to redeem Bonds as provided in Section 5.04. To the extent that the amounts in the Assessment Fund are insufficient to redeem Bonds in an authorized denomination, such moneys shall be used for the payment of interest or principal, including mandatory sinking fund payments, on the next Interest Payment Date. The District shall apply such amounts, as a credit against each of the unpaid Assessments in amounts equal to each parcel's share or portion thereof, of the total amount of Assessment.

Upon provision for payment or redemption of all Bonds and after payment of any amounts due to the Fiscal Agent, all moneys remaining in the Assessment Fund shall be paid to the District.

**Section 5.04. Redemption Fund.** The principal of, including mandatory sinking fund payments, and interest on the Bonds until maturity shall be paid by the Fiscal Agent from the Redemption Fund. At the maturity of the Bonds, and after all principal, including mandatory sinking fund payments, and interest then due on any Outstanding Bonds has been paid or provided for, moneys in the Redemption Fund shall be transferred to the Assessment Fund.

(a) Moneys in the Capitalized Interest Account shall be used for payment of interest on the Bonds through and including September 2, 2022 as the same becomes due. Any amounts remaining in the Capitalized Interest Account on September 15, 2022 shall be transferred to the Interest Account of the Redemption Fund and the Capitalized Interest Account shall be closed.

(b) On or prior to the first day of March or September of each year, commencing March 1, 2023, the Fiscal Agent shall transfer from the Redemption Fund to the Interest Account of the Redemption Fund an amount such that the balance in the Interest Account one day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds on and after March 2, 2023 as the same becomes due.

(c) On or prior to the first day of September of each year, commencing September 1, 2023, the Fiscal Agent shall transfer from the Redemption Fund to the Principal Account of the Redemption Fund an amount up to the principal payment, including mandatory sinking fund payments, due on the Bonds on the following September 2. Moneys in the Principal Account shall be used to pay the principal, including mandatory sinking fund payments, of the Bonds as the same become due at maturity or as a result of mandatory sinking fund redemption.

(d) Any amounts remaining in the Redemption Fund, other than in the Prepayment Account and the Capitalized Interest Account, on September 15 of each year, after all principal, including mandatory sinking fund payments, if any, and interest payments due on the prior September 2 have been paid, shall be remitted to the District for deposit into the Assessment Fund.

(e) Moneys set aside in the Prepayment Account of the Redemption Fund shall be used solely for the purpose of redeeming Bonds and shall be applied on or after the redemption date to the payment of principal of, including mandatory sinking fund payments, and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds.

Upon receiving any prepayment of an Assessment, the District shall transfer all or a portion of such prepayment to the Fiscal Agent for deposit in the Prepayment Account, which when coupled with the moneys transferred from the Reserve Fund pursuant to Section 5.05 to the Prepayment Account, shall be used to redeem Bonds pursuant to Section 4.01(a) or any Supplemental Fiscal Agent Agreement on the next Interest Payment Date for which proper notice pursuant to Section 4.03 or applicable provision of a Supplemental Fiscal Agent Agreement can be given by the Fiscal Agent. Upon receipt of written instructions from the District, the Fiscal Agent shall transfer that portion, if any, of the prepayment representing accrued interest owing on the Bonds to the Interest Account of the Redemption Fund and that portion representing principal, including mandatory sinking fund payments, if any, and premium due on the Bonds on the next principal payment date to the Principal Account of the Redemption Fund. If less than all of the amounts in the Prepayment Account, together with the money transferred from the Reserve Fund, can be used to redeem Bonds in increments of \$5,000, the remaining portion is to be retained in the Prepayment Account and, when at the written direction of an Authorized Representative of the District there is sufficient money to redeem Bonds, shall be used to redeem Bonds as herein provided or as provided in a Supplemental Fiscal Agent Agreement. Money received from the District from funds other than the prepayment of Assessments and proceeds of refunding bonds, including any surplus amount in the Improvement Fund transferred to the Fiscal Agent in accordance with Section 10427(d) of the 1913 Act, and all or a portion of in lieu charges credited to the Assessment District shall be deposited in the Prepayment Account and used to redeem Bonds as provided in Section 4.01(b) hereof or pursuant to the terms of a Supplemental Fiscal Agent Agreement.

If, after all of the Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in any account of the Redemption Fund, said moneys shall be transferred to the District for deposit to the Assessment Fund.

**Section 5.05. Reserve Fund.** The Fiscal Agent shall initially deposit into the Reserve Fund the amount specified in Section 6.05. Thereafter, the Treasurer shall transfer sufficient funds from the Assessment Fund as provided in Section 5.03 in order to maintain the Reserve Requirement in the Reserve Fund at all times. On or before each February 15 and August 15, the Fiscal Agent shall determine whether the amount on deposit in the Reserve Fund equals the Reserve Requirement.

Moneys in the Reserve Fund shall be used for the purpose of paying the principal of, including mandatory sinking fund payments, and interest on the Bonds when due in the event that the moneys in the Redemption Fund are insufficient therefor. The Fiscal Agent shall withdraw moneys as necessary from the Reserve Fund for deposit in the Redemption Fund on or before the first day of March and September of each year.

In the event an Assessment is prepaid in whole or in part and used to redeem Bonds, the Assessment being prepaid shall be reduced by the amount transferred from the Reserve Fund pursuant to this paragraph to the Prepayment Account of the Redemption Fund. The amount transferred shall be that portion of the balance then in the Reserve Fund equal to the proportion that the Assessment prepaid bears to the total of all Assessments remaining unpaid as of such date. The District shall notify, or shall cause the Fiscal Agent to be notified, of the amount to be transferred.

In the event that moneys in the Reserve Fund and the moneys in the Redemption Fund and the Assessment Fund are sufficient to retire all of the Outstanding Bonds plus accrued interest thereon, such

moneys in the Reserve Fund and the Assessment Fund shall at the written direction of District be transferred to the Redemption Fund for the payment of the Bonds.

All amounts remaining in the Reserve Fund in the year in which the last Assessment Installments become due and payable shall be credited toward said Assessment Installments as set forth below:

On or prior to July 1st of the Fiscal Year next preceding the Fiscal Year in which the last unpaid Assessment Installment securing the Bonds becomes due and payable, the District shall determine the amount remaining in the Reserve Fund, and shall declare such amount to be surplus and direct the Fiscal Agent as to the transfer of such amount in order that it may be credited in the manner set forth in Section 10427.1 of the 1913 Act; provided that if all or any part of such Assessments remain unpaid and are payable in installments, the amount apportioned to each parcel shall be credited against the last of such unpaid Assessment Installments and, if the amount apportioned to each parcel exceeds the amount of said last installment, then such excess shall be credited against the next to last of such Assessment Installments.

Notwithstanding any provisions herein to the contrary, moneys in the Reserve Fund in excess of the Reserve Requirement shall be withdrawn from the Reserve Fund by the Fiscal Agent on or before each February 15 and August 15, and shall be transferred to the Interest Account, the Principal Account or the Prepayment Account in an amount directed in writing by an Authorized Representative of the District received at least one Business Day prior to each February 15 and August 15. In the absence of written direction from the District, all amounts shall be transferred to the Redemption Fund and shall be used as provided in Section 5.04.

#### **Section 5.06. Rebate Fund.**

(a) The Fiscal Agent shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund and shall establish a separate Rebate Account and Alternative Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund shall be held by the Fiscal Agent, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund with respect to the Bonds shall be governed by this Section 5.06 and the Tax Certificate, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds will not be adversely affected if such requirements are not satisfied.

(i) Rebate Account. The following requirements shall be satisfied with respect to the Rebate Account:

(A) Annual Computation. Within 55 days of the end of each Bond Year, the District shall calculate or cause to be calculated the amount of rebatable arbitrage for the Bonds in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148- 1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(B) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate, upon the written

direction of an Authorized Representative of the District, an amount shall be deposited to the Rebate Account by the Fiscal Agent from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with (i)(A) above. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Fiscal Agent shall withdraw the excess from the Rebate Account and then credit the excess to the Assessment Fund.

(C) Payment to the Treasury. The Fiscal Agent shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in the Rebate Account,

(1) Not later than 60 days after the end of (A) the fifth Bond Year for the Bonds, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds, as applicable; and

(2) Not later than 60 days after the payment or redemption of all of the Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received, from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a)(i)(C) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the District, or shall be made in such other manner as provided under the Code.

The Fiscal Agent shall be deemed conclusively to have complied with such provisions, if it follows the written directions of the District, and shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate.

(ii) Alternative Penalty Account.

(A) Six-Month Computation. If the 1½% Penalty has been elected for the Bonds, within 85 days of each particular Six-Month Period, the District shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District shall obtain expert advice in making such determinations.

(B) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Fiscal Agent, at the written direction of an Authorized Representative of the District, shall deposit an amount in the Alternative Penalty Account from any source of funds held by the Fiscal Agent pursuant to this Fiscal Agent Agreement and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance

in the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in subsection (a)(ii)(A) above. In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by subsection (a)(ii)(C) below, the Fiscal Agent, at the written direction of an Authorized Representative of the District, may withdraw the excess from the Alternative Penalty Account and credit the excess to the Assessment Fund.

(C) Payment to the Treasury. The Fiscal Agent shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in the Alternative Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from the Alternative Penalty Account, the amount in the Alternative Penalty Account is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and direct the Fiscal Agent, in writing, to deposit an amount equal to such deficiency into the Alternative Penalty Account from any funds held by the Fiscal Agent pursuant to this Fiscal Agent Agreement and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a)(ii)(C) shall be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the District or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds after redemption and payment of such issue and after making the payments described in subsection (a)(i)(C) or (a)(ii)(C) (whichever is applicable), shall be withdrawn by the Fiscal Agent at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in this Section or this Fiscal Agent Agreement to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance and final payment of the Bonds with respect to which an account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. This Section 5.06 may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

**Section 5.07. Improvement Fund.** The moneys in the Improvement Fund shall be applied to pay the costs of the Improvements and shall be disbursed by the Fiscal Agent as specified in a written direction from an Authorized Representative of the District which must be submitted in connection with each requested disbursement substantially in the form set forth in Exhibit B hereto. Each such written requisition of the District shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

Upon receipt of a certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Improvement Fund is no longer needed to pay costs of the Improvements, the Fiscal Agent shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Improvement Fund to the Prepayment Account of the Redemption

Fund to be used to redeem Bonds or for such other purposes as permitted by the 1913 Act and the 1915 Act, all as directed in said certificate.

**Section 5.08. Investments.** Moneys held in any of the funds and accounts under this Agreement shall be invested at the written direction of an Authorized Representative of the District only in Authorized Investments which shall be deemed at all times to be a part of such funds and accounts. The Fiscal Agent at no additional charge shall provide monthly statements or reports of the principal balances and investment earnings thereon in each fund and account maintained by the Fiscal Agent hereunder.

Authorized Investments shall be purchased at such prices as directed by an Authorized Representative of the District in written directions delivered to the Fiscal Agent. The Fiscal Agent may conclusively rely upon the written instructions of the Authorized Representative as to both the suitability and legality of directed investments. Directions as to the purchase of all Authorized Investments shall be subject to the limitations hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by the Treasurer.

Moneys in all funds and accounts except for the Reserve Fund shall be invested in Authorized Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which the Treasurer has estimated that such moneys will be required by the Fiscal Agent for the purposes specified in this Agreement. Moneys in the Reserve Fund shall be invested in Authorized Investments.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Agreement shall be retained therein, except as transfers from such funds or accounts are authorized in this Agreement. For investment purposes only, the Fiscal Agent may commingle the funds and accounts established hereunder, and administered by the Fiscal Agent, but shall account for each separately.

Notwithstanding anything to the contrary contained in this Section, an amount of interest received with respect to any Authorized Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Authorized Investment shall be credited to the fund or account for the credit of which such Authorized Investment was acquired.

For the purpose of determining the amount in any fund or account other than the Reserve Fund, all Authorized Investments credited to such fund or account shall be valued at the market value thereof, exclusive of accrued interest. Amounts in the Reserve Fund shall be valued at their market value at least semi-annually on or before February 15 and August 15 (or more frequently as may be requested by the Treasurer, but in no event more often than monthly). The Fiscal Agent may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

The Fiscal Agent, or any of its affiliates, may act as principal or agent in the making or disposing of any investment or as a sponsor, depository, manager for or advisor to any issuer of Authorized Investments. The Fiscal Agent shall sell, or present for redemption, any Authorized Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited, and, subject to the provisions of Section 9.04, the Fiscal Agent shall not be liable or responsible for any loss resulting from such investment, or any other investment made at the direction of the District or otherwise made in accordance with this Agreement.

In the absence of written investment direction from the Authorized Representative of the District

received at least two Business Days prior to the maturity of an Authorized Investment, the Fiscal Agent shall hold such funds uninvested.

The Fiscal Agent shall be entitled to rely conclusively upon the written instructions of the District directing investments in Authorized Investments as to the fact that each such investment is permitted by the laws of the State of California and is an Authorized Investment as required by this Agreement and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the list of Authorized Investments which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Fiscal Agent shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Authorized Investment obtained at the District's expense.

Except as specifically provided in this Agreement, the Fiscal Agent shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the District for earnings derived from funds that have been invested.

The District acknowledges that regulations of the Comptroller of the Currency grant the District the right to receive brokerage confirmation of security transactions to be effected by the Fiscal Agent hereunder as they occur. The District specifically waives the right to receive such confirmation to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which include detail for the investment transactions effected by the Fiscal Agent hereunder; provided, however, that the District retains its right to receive brokerage confirmation on any investment transaction requested by the District.

**Section 5.09. Delinquency Resulting in Ultimate or Temporary Loss on Bonds.** If a temporary deficiency occurs in the Assessment Fund with which to pay Bonds that have then matured, past due interest or the principal and interest on Bonds coming due during the current year, but it does not appear to the Treasurer that there will be an Ultimate Loss (as defined herein) to the Bondowners, the Treasurer shall transfer moneys on deposit in the Assessment Fund to the Fiscal Agent and shall cause the Fiscal Agent to pay the principal of Bonds which have matured as presented and make interest payments on the Bonds when due, as long as there are available funds in the Redemption Fund, in the following order of priority:

- (1) All matured interest payments shall be made before the principal of any Bonds is paid.
- (2) Interest on Bonds of earlier maturity shall be paid before interest on Bonds of later maturity.
- (3) Within a single maturity, interest on lower-numbered Bonds shall be paid before interest on higher-numbered Bonds.
- (4) The principal of Bonds shall be paid in the order in which the Bonds are presented for payment. Any Bond which is presented but not paid shall be assigned a serial number according to the order of presentment and shall be returned to the Bondowner.

When funds become available for the payment of any Bond which was not paid upon presentment, the Treasurer shall cause the Fiscal Agent to notify the registered owner of such Bond by registered mail to present the Bond for payment. If the Bond is not presented for payment within ten days after the mailing of the notice, interest shall cease to run on such Bond.

If it appears to the Treasurer that there is a danger of an Ultimate Loss accruing to the

Bondowners for any reason, he or she is required pursuant to the 1915 Act to withhold payment on all matured Bonds and interest on all Bonds and report the facts to the Board so that the Board may take proper action to equitably protect all Bondowners.

Upon the receipt of such notification from the Treasurer, the Board shall fix a date for a hearing upon such notice. At the hearing the Board must determine whether in its judgment there will ultimately be insufficient money in the Assessment Fund to pay the principal of the unpaid Bonds and interest thereon. If the Board determines that in its judgment there will ultimately be a shortage in the Assessment Fund to pay the principal of the unpaid Bonds and interest thereon (an "Ultimate Loss"), the Board shall direct the Treasurer to pay to the Owners of all Outstanding and unpaid Bonds such proportion thereof as the amount of funds on hand in the Assessment Fund bears to the total amount of the unpaid principal of the Bonds and interest which has accrued or will accrue thereon. Similar proportionate payments shall thereafter be made periodically as moneys come into the Assessment Fund.

Upon the determination by the Board that an Ultimate Loss will occur, the Treasurer shall cause the Fiscal Agent to notify all Bondowners to surrender their Bonds to the Treasurer for cancellation. Upon cancellation of the Bonds, the Bondowner shall be credited with the principal amount of the Bond so canceled. The Treasurer shall then pay by warrant the proportionate amount of principal and accrued interest due on the Bonds of each Bondowner as may be available from time to time out of the money in the Redemption Fund. Interest shall cease on principal payments made from the date of such payment, but interest shall continue to accrue on the unpaid principal at the rate specified on the Bonds until payment thereof is made. No premiums shall be paid on payments of principal on Bonds made pursuant to this Section in advance of the maturity date thereon.

If a Bond is not surrendered for registration and payment, the Treasurer shall cause the Fiscal Agent to give notice at the expense of the District to the Bondowner by registered mail, at the Bondowner's last address as shown on the registration books, of the amount available for payment. Interest on such amount shall cease as of ten days from the date of mailing of such notice.

If the Board determines that in its judgment there will not be an Ultimate Loss, it shall direct the Treasurer to pay matured Bonds and interest as long as there is available money in the Redemption Fund. The priority of payments will be as set forth in the first paragraph hereof.

## **ARTICLE VI ISSUANCE OF THE BONDS**

**Section 6.01. Authorization and Designation of Bonds.** The District has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines, that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the 1915 Act, and that the District is now authorized, pursuant to each and every requirement of the 1915 Act and hereof, to issue the Bonds upon the security of the Assessments in the aggregate principal amount described in the Bond Purchase Agreement and in the form and manner provided herein, which Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

**Section 6.02. Denominations of Bonds.** The Bonds shall be issued as fully registered Bonds in the denomination of \$5,000 or any increment of \$5,000 in excess thereof.

**Section 6.03. Maturity Date and Interest Payment Date of Bonds.** The Bonds shall be dated their Closing Date and shall mature on September 2 of the years, and in the respective principal amounts

set forth opposite such years, and shall bear interest at the respective rates per annum, set forth in the following table:

<i>Maturity Date (September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
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**Section 6.04. Form of Bonds.** The Bonds shall be in substantially the form attached hereto as Exhibit A, the blanks to be filled in with appropriate words and figures, conforming to the terms of this Agreement.

**Section 6.05. Application of Proceeds of the Sale of Bonds.** Net proceeds from the sale of the Bonds in the amount of \$ \_\_\_\_\_, along with \$ \_\_\_\_\_ of Assessment paid during the 30-day cash collection period, for a total of \$ \_\_\_\_\_, shall be used as follows:

- (i) \$ \_\_\_\_\_ equaling the Reserve Requirement shall be deposited by the Fiscal Agent into the Reserve Fund;
- (ii) \$ \_\_\_\_\_ shall be deposited by the Fiscal Agent in the Costs of Issuance Fund;
- (iii) \$ \_\_\_\_\_ representing capitalized interest on the Bonds through and including September 2, 2022, shall be deposited by the Fiscal Agent in the Capitalized Interest Account of the Redemption Fund; and
- (iv) \$ \_\_\_\_\_ from net proceeds of the Bonds, and \$ \_\_\_\_\_ from Assessment paid during the 30-day cash collection period, for a total of \$ \_\_\_\_\_, shall be deposited by the Fiscal Agent in the Improvement Fund.

## ARTICLE VII COVENANTS AND WARRANTY

**Section 7.01. Warranty.** The District shall preserve and protect the security of the Bonds and the rights of the Owners against all claims and demands of all persons.

**Section 7.02. Covenants.** So long as any of the Bonds are Outstanding and unpaid, the District

makes the following covenants with the Owners under the provisions of the 1913 Act, the 1915 Act and this Agreement (to be performed by the District or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Assessments:

(a) Punctual Payment; Covenant Against Encumbrances. The District covenants that it will receive all Assessment Installments in trust and will, consistent with Section 5.03 hereof, deposit the Assessment Installments in the Assessment Fund, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by this Agreement. All such Assessment Installments, whether received by the District in trust or deposited with the Fiscal Agent, all as herein provided, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes herein set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with this Agreement to the extent Assessments and interest earnings transferred to the Redemption Fund are available therefor, and that the payments into the Redemption Fund and the Reserve Fund will be made, all in strict conformity with the terms of the Bonds and this Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplements and of the Bonds issued hereunder. If at any time the total balance in the Redemption Fund and the Reserve Fund is sufficient to redeem all Outstanding Bonds pursuant to Section 4.01 hereof, the Treasurer may direct the Fiscal Agent to effect such redemption on the earliest date on which all Outstanding Bonds may be redeemed.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Assessment Installments, and will not issue any obligation or security superior to the Bonds, payable in whole or in part from the unpaid Assessments.

(b) Covenant to Levy. The District will cause the Assessment Installments required to pay the principal of and interest on the Bonds when due to be placed on the tax bills of the owners of the parcels assessed and covenants to levy assessments, as permitted by law and the Resolution of Formation, to satisfy the Administrative Expense Requirement.

(c) Commence Foreclosure Proceedings. The District will commence foreclosure proceedings October 1 of the Fiscal Year immediately following the Fiscal Year in which delinquency in the payment of an Assessment Installment occurs, except the District need not commence such proceedings with respect to any property other than property owned by a single property owner who is delinquent in excess of \$3,000 in the payment of Assessment Installments if both (a) the aggregate amount of such delinquent Assessment Installments does not exceed five percent (5%) of the Assessment Installments posted to the tax roll for the preceding Fiscal Year and the balance on deposit in the Reserve Fund is not less than the Reserve Requirement.

Commencement of any foreclosure proceedings includes the District's efforts to collect the delinquent Assessment Installments by sending subsequent notice of delinquency and a demand for immediate payment thereof. The District may treat any delinquent Assessment Installment sold to an independent third-party or to any funds of the District for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount shall be deposited in the Assessment Fund. Notwithstanding the above, as long as the Assessment Installments are the subject of the County's Teeter Plan and the District is receiving 100% of the Assessment Installments it levies,

the District shall not have any obligation to commence judicial foreclosure proceedings as described above.

(d) Books and Accounts. The District will cause the Fiscal Agent to keep proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions made by its Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours and upon reasonable prior notice be subject to the inspection of the District or of the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

(e) Tax Covenants. Notwithstanding any other provision of this Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes by reason of the District's failure to do so, the District covenants to comply with all applicable requirements of the Code, necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

*Private Activity*. The District will not take or omit to take any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

*Arbitrage*. The District will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

*Federal Guarantee*. The District will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

*Information Reporting*. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

*Rebate Requirements*. The District will take no action inconsistent with its expectations stated in the Tax Certificate and will comply with the covenants and requirements stated therein and incorporated by reference herein. Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. In particular, the District shall direct the Fiscal Agent to transfer to the Rebate Fund amounts sufficient to pay and shall instruct the Fiscal Agent to pay to the United States Treasury any amounts required to be paid as set forth in Section 5.06 hereof.

(f) Collection of the Administrative Expense Requirements. The District covenants that it will collect annually an amount specified by the Treasurer to be the Administrative Expense Requirement to pay for Administrative Expenses. The Administrative Expense Requirement so collected shall not exceed the amount specified in the Engineer's Report.

**Section 7.03. Continuing Disclosure**. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the District in connection with the issuance of the Bonds. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default.

## ARTICLE VIII

## AMENDMENTS TO AGREEMENT

**Section 8.01. Amendments Not Requiring Bondowner Consent.** The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplements hereto for any of the following purposes:

(a) to cure any ambiguity or to correct or supplement any provisions herein provided that such action shall not materially adversely affect the interests of the Bondowners;

(b) to add to the covenants and agreements of, and the limitations and the restrictions upon, the District contained in this Agreement, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Agreement as theretofore in effect;

(c) to modify, amend or supplement this Agreement in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not, materially adversely affect the interests of the Owners of the Bonds; or

(d) to modify, alter, amend or supplement this Agreement in any other respect which is not materially adverse to the Bondowners.

**Section 8.02. Amendments Requiring Bondowner Consent.** Exclusive of the Supplements described in Section 8.01, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve such Supplements as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Agreement; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplement without the consent of the Owners of all the Bonds then Outstanding.

If at any time the District shall desire to enter into a Supplement, which pursuant to the terms of this Section shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplement. The Fiscal Agent shall, at the expense of the District, cause notice of the proposed Supplement to be mailed, by first class mail postage prepaid, to all Bondowners and their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the office of the Superintendent of Streets and the corporate trust office of the Fiscal Agent for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplement when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice the Fiscal Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplement described in such notice, and shall specifically consent to and approve the Supplement substantially in the form of the copy referred to in such notice as on file with the Superintendent of Streets and the Fiscal Agent, such proposed Supplement, when duly executed by the District, shall thereafter

become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds have consented to the adoption of any Supplement, Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination. Upon request, the District shall designate to the Fiscal Agent those Bonds disqualified by this Section 8.02.

Upon the execution and delivery by the District and the Fiscal Agent of any Supplement and the receipt of consent to any such Supplement from the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding in instances where such consent is required pursuant to the provisions of this Section, this Agreement shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Agreement of the District, the Fiscal Agent and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

No Supplement pursuant to either Section 8.01 or Section 8.02 shall modify or amend any of the rights or obligations of the Fiscal Agent without its written consent thereto. The Fiscal Agent shall be provided an opinion of counsel, at the expense of the District, that any such Supplement complies with the provisions of this Article VIII and the Fiscal Agent may conclusively rely upon such opinion.

**Section 8.03. Notation of Bonds; Delivery of Amended Bonds.** After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent, a suitable notation as to such action shall be made on such Bonds. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the office of the Fiscal Agent without cost to each Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

## **ARTICLE IX FISCAL AGENT**

**Section 9.01. Fiscal Agent.** The Bank of New York Mellon Trust Company, N.A. is hereby appointed Fiscal Agent for the District for the purpose of receiving all money which the District is required to deposit with the Fiscal Agent hereunder and to allocate, use and apply the same as provided in this Agreement.

The Fiscal Agent is hereby authorized to and shall mail by first-class mail, postage prepaid, interest payments to the Bondowners, select Bonds for redemption, and maintain the Bond Register. The Fiscal Agent is hereby authorized to pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or upon redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds, and to provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Agreement. The Fiscal Agent shall keep accurate records of all funds administered by it and all Bonds paid and discharged by it.

The Fiscal Agent is hereby authorized to pay the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent shall cancel all Bonds upon payment thereof or upon the surrender thereof by the District pursuant to Section 12.01 hereof. The Fiscal Agent

shall keep accurate records of all Bonds paid and discharged and canceled by it for six years or such longer period as required by applicable law or the policies of the Fiscal Agent.

The Fiscal Agent shall supply information regarding investments made under Article V at the written request of the District including: (i) purchase date, (ii) purchase price, (iii) any accrued interest paid, (iv) face amount, (v) coupon rate, (vi) periodicity of interest payments, (vii) disposition price, (viii) any accrued interest, received, and (ix) disposition date. In the event a Nonpurpose Investment is subject to a receipt of bids, the District shall maintain a record of all information establishing fair market value on the date such investment became a Nonpurpose Investment. Such detailed record keeping is required for the calculation of the Rebate Requirement which shall be performed by the District and, in part, will require a determination of the difference between the actual aggregate earnings of all Nonpurpose Investments and the amount of such earnings assuming a rate of return equal to the Yield on the Bonds.

The District shall from time to time, subject to any agreement between the District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants, counsel, agents, receiver and engineers or other experts employed by it in the exercise and performance of its powers and duties hereunder, and indemnify, defend and save the Fiscal Agent harmless against any losses, costs, expenses, suits, judgments or liabilities, including reasonable fees and expenses of its attorneys (including the allocated costs and disbursements of in-house counsel, to the extent such services are not redundant with those provided by outside counsel), not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder, which indemnity shall survive discharge of the Bonds.

Any bank or trust company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under Section 9.02, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**Section 9.02. Removal of Fiscal Agent.** The District may in the absence of an event of default at any time, in the exercise of its sole discretion, upon thirty (30) days prior written notice to the Fiscal Agent, remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital and surplus) (or whose parent or holding company has a combined capital (exclusive of borrowed capital and surplus) of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus shall be as set forth in its most recent report of condition so published. The District shall notify the Bondowners in writing of any such removal of the Fiscal Agent and appointment of a successor thereto.

**Section 9.03. Resignation of Fiscal Agent.** The Fiscal Agent may at any time resign by giving written notice to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing; provided, however, that in the event that the District does not appoint a successor Fiscal Agent within thirty (30) days following receipt of such notice of resignation, or removal the Fiscal Agent may petition, at the expense of the District, an appropriate court having jurisdiction to appoint a successor Fiscal Agent. Any resignation or removal of the Fiscal

Agent and appointment of a successor Fiscal Agent shall become effective only upon the written acceptance of appointment by the successor Fiscal Agent, and notice to the Bondowners of the Fiscal Agent's identity and address.

**Section 9.04. Liability of Fiscal Agent.** The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of this Agreement or of the Bonds, and shall incur no responsibility in respect thereof other than in connection with its duties or obligations herein or in the Bonds or in the certificate of authentication assigned to or imposed upon the Fiscal Agent. The Fiscal Agent shall have no duties or obligations other than as specifically set forth herein and no implied duties, covenants or obligations shall be read into this Agreement against the Fiscal Agent. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the Bonds for value. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

The Fiscal Agent shall have no liability or obligation to the Bondowners with respect to the payment of debt service by the District or with respect to the observance or performance by the District of the other conditions, covenants and terms contained in this Agreement, or with respect to the investment of any moneys in any fund or account established, held or maintained by the District pursuant to this Agreement or otherwise.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, bond or other paper or documents believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, at the expense of the District, with regard to legal questions, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

The Fiscal Agent shall have no duty or obligations whatsoever to enforce the collection of Assessments or other funds to be deposited with it hereunder, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive. The Fiscal Agent shall have no duty or obligation to monitor the District's compliance with the 1913 Act or the 1915 Act. No provision in this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Fiscal Agent shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by

law.

The Fiscal Agent shall have no responsibility, opinion or liability with respect to any information, statement or recital in any official statement or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Ratings of Authorized Investments referred to herein shall be determined at the time of purchase of such Authorized Investments and without regard to rating subcategories. The Fiscal Agent shall have no responsibility to monitor the ratings of Authorized Investments after the initial purchase of such Authorized Investments, or the responsibility to validate the ratings of Authorized Investments prior to the initial purchase.

The Fiscal Agent shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Fiscal Agent Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Fiscal Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request, order or direction of any of the Bondholders pursuant to the provisions of this Agreement unless such Bondholders shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

All protections extended to the Fiscal Agent shall also extend to its officers, directors, employees and agents. The Fiscal Agent's rights to indemnification hereunder and to payment of its fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds.

The Fiscal Agent makes no covenant, representation or warranty concerning the current or future tax status of interest on the Bonds.

The Fiscal Agent may become an Owner with the same rights it would have if it were not Fiscal Agent; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Fiscal Agent; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of the majority in principal amount of the Bonds then Outstanding.

The Fiscal Agent may execute any of the duties or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, shall not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent shall only perform those duties specifically set forth herein and no implied duties, covenants or obligations whatsoever shall be read into this Agreement. No action by the Fiscal Agent shall be construed or deemed to expand the limitations on the scope of the Fiscal Agent's duties. The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Assessment District, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

In accepting the duties hereby created, the Fiscal Agent acts solely as Fiscal Agent for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners and the District, having any claim against the Fiscal Agent arising from the Agreement shall look only to the funds and accounts held by the Fiscal Agent hereunder for payment, except as otherwise provided herein or where the Fiscal Agent has breached its standard of care as described in this Section. Under no circumstances shall the Fiscal Agent be liable in its individual capacity for the obligations evidenced by the Bonds.

The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent or in the exercise of any right hereunder. In the event of conflicting instructions hereunder, the Fiscal Agent shall have the right to decide the appropriate course of action and be protected in so doing. The Fiscal Agent shall have no

responsibility or liability with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed in any respect relating to the Bonds.

The Fiscal Agent shall not be deemed to have knowledge of any event of default hereunder unless it has actual knowledge thereof at its Principal Office.

**Section 9.05. Interested Transactions.** The Fiscal Agent and its officers and employees may acquire and hold Bonds with the same effect as if it were not Fiscal Agent. The Fiscal Agent, either as principal or agent, may engage in or be interested in any financial or other transaction with the District.

**Section 9.06. Agents.** The Fiscal Agent may execute any of its duties or powers or perform its duties through attorneys, agents or receivers and the Fiscal Agent shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care.

## **ARTICLE X EVENTS OF DEFAULT; REMEDIES**

**Section 10.01. Event of Default.** Any one or more of the following events shall constitute an “event of default”:

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or from mandatory redemption;

(b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) Default by the District in the observance of any of the other agreements, conditions or covenants on its part in this Agreement or in the Bonds contained, and the continuation of such default for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Fiscal Agent or any Owner, provided that if within thirty (30) days the District has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated.

**Section 10.02. Remedies of Owners.** Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the 1913 Act or the 1915 Act and their agreements with the Owners as provided in this Agreement;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in this article or in any other provisions of this Agreement, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and

principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Assessments pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in this Agreement.

A waiver of any default of breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the 1913 Act or the 1915 Act or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken. No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the 1913 Act, the 1915 Act or any other law.

In no event shall the Fiscal Agent have any responsibility to cure or cause the District or any other person or entity to cure an event of default hereunder.

## **ARTICLE XI DEFEASANCE**

**Section 11.01. Defeasance.** If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of any Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in this Agreement, then the Owners of such Bonds shall cease to be entitled to the pledge of Assessments and other amounts hereunder, and all covenants, agreements and other obligations of the District to the Owners of such Bonds under this Agreement shall thereupon cease, terminate and become void and be discharged and satisfied except for the District's covenant under Section 7.02(a) hereof. In such event, the Fiscal Agent shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the District after payment of any amounts due the Fiscal Agent hereunder all money or securities held by it pursuant to this Agreement which are not required for the payment of the interest due on, and the principal of, such Bonds.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed in the first paragraph of this Section if such Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest with respect to such Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent at or before maturity, money which, together with the amounts then on deposit in the Assessment Fund, the Reserve Fund and the Redemption Fund, is fully sufficient to pay the principal of, premium and interest on such Bond as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent Federal Securities in such amount as an Independent Financial Consultant shall determine will, together with the interest to accrue thereon and moneys then on deposit in the Assessment Fund, the Reserve Fund and the Redemption Fund which is available to pay such Bond, together with the interest to accrue thereon without further investment, be fully sufficient to pay and discharge the principal of, premium, if any, and interest on such Bond as and when the same shall become due and payable;

then, notwithstanding that such Bond shall not have been surrendered for payment, all obligations of the District under this Agreement with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owner of any Bond not so surrendered and paid, all sums due thereon from funds provided to it by the District and except for the District's covenant under Section 7.02(e) hereof. Any money or securities deposited with the Fiscal Agent to defease any Bond or Bonds shall be accompanied by a certificate of a certified public accountant confirming the accuracy of the calculations establishing the sufficiency of such deposit. Any funds held by the Fiscal Agent at the time of payment or defeasance of all Outstanding Bonds, which are not required for the purpose above mentioned, or for payment of amounts due the Fiscal Agent hereunder shall be paid over to the District.

## **ARTICLE XII MISCELLANEOUS**

**Section 12.01. Cancellation of Bonds.** All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption shall upon payment therefor, and any Bond purchased by the District as authorized herein shall be, cancelled forthwith and shall not be reissued. The Fiscal Agent shall destroy such Bonds as provided by law and furnish to the District a certificate of destruction.

**Section 12.02. Execution of Documents and Proof of Ownership.** Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Agreement to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor, may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the commercial bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds shall be sufficient for the purposes of this Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any commercial bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.

(b) As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums to be paid. The Fiscal Agent shall not be affected by any notice to the contrary. Nothing contained in this Agreement shall be construed as limiting the Fiscal Agent to such proof, it being intended that the Fiscal Agent may accept other evidence of the matters herein stated which the Fiscal Agent may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future

Owner of the same Bond in respect of anything done or suffered to be done by the Fiscal Agent in pursuance of such request or consent.

**Section 12.03. Unclaimed Moneys.** Anything in this Agreement to the contrary notwithstanding, any money held by the Fiscal Agent in trust for the payment and discharge of any of the Bonds which remains unclaimed for one year after the Bonds become due and payable, if such money was held by the Fiscal Agent at such date, or for one year after the date of deposit of such money if deposited with the Fiscal Agent after said date when such Bonds become due and payable, shall be repaid by the Fiscal Agent to the District, as its absolute property and free from trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Bonds; provided, however, that, before being required to make any such payment to the District, the Fiscal Agent shall, at the written request and the expense of the District, cause to be mailed to the registered Owners of such Bonds, at their addresses as they appear on the Bond Register, a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

**Section 12.04. Provisions Constitute Contract; Successors.** The provisions of this Agreement shall constitute a contract between the District and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Fiscal Agent shall prevail, the Fiscal Agent shall be entitled to receive from the Assessment District reimbursement for reasonable costs, expenses, outlays and attorneys' fees (including the allocated costs and disbursements of in-house counsel, to the extent such services are not redundant with those provided by outside counsel), and should said suit, action or proceeding be abandoned, or be determined adversely to the Fiscal Agent, then the District, the Fiscal Agent and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds this Agreement shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Agreement, but to no greater extent and in no other manner.

This Agreement shall be binding upon and inure to the benefit of the District and the Fiscal Agent, and their respective successors and assigns.

**Section 12.05. Further Assurances; Incontestability.** The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Agreement. After the sale and delivery of the Bonds by the District, the Bonds shall be incontestable by the District.

**Section 12.06. Severability.** If any covenant, agreement or provision, or any portion thereof, contained in this Agreement, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Agreement and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Agreement and the Bonds shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

**Section 12.07. General Authorization.** Authorized Representatives of the District are hereby respectively authorized to do and perform from time to time any and all acts and things consistent with this Agreement necessary or appropriate to carry the same into effect.

**Section 12.08. Liberal Construction.** This Agreement shall be liberally construed to the end that its purpose may be effected. No error, irregularity, informality and no neglect or omission herein or in any proceeding had pursuant hereto which does not directly affect the jurisdiction of the Board shall void or invalidate this Agreement or such proceeding or any part thereof, or any act or determination made pursuant thereto.

**Section 12.09. Notice.** Any notices required to be given to the District with respect to the Bonds for this Agreement shall be mailed, first class, or personally delivered to the General Manager at 148 South Wilson Street, Nipomo, California 93444, and all notices to the Fiscal Agent shall be mailed, first class, or personally delivered to the Fiscal Agent at The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite #500, Los Angeles, California 90071, Attention: Corporate Trust Administration.

**Section 12.10. Action on Next Business Day.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in this Agreement.

IN WITNESS WHEREOF, the District and the Fiscal Agent have executed this Agreement, effective the date first written above.

NIPOMO COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Fiscal Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A  
[FORM OF THE BOND]**

**UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE FISCAL AGENT AGREEMENT) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

R-\_\_\_\_\_ \$ \_\_\_\_\_

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

**NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)  
LIMITED OBLIGATION IMPROVEMENT BOND  
SERIES 2020**

<i>INTEREST RATE</i>	<i>MATURITY DATE</i>	<i>DATED DATE</i>	<i>CUSIP NUMBER</i>
_____%	September 2, _____	July __, 2020	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ AND 00/100 DOLLARS

Under and by virtue of the Improvement Bond Act of 1915, Division 10 (commencing with Section 8500) of the California Streets and Highways Code (the "Act") and Resolution No. \_\_\_\_\_ (the "Resolution of Issuance") adopted by the Board of the Nipomo Community Services District (the "District") on June \_\_, 2020, the District will, out of the redemption fund for the payment of the bonds issued upon the unpaid portion of assessments made for the acquisition, work, and improvements more fully described in proceedings taken pursuant to Resolution No. \_\_\_\_\_ (the "Resolution of Intention") adopted by the Board of the District on March 11, 2020, pay to the registered owner stated above, on the maturity date stated above, the principal sum stated above in lawful money of the United States of America, all as provided for in a Fiscal Agent Agreement dated as of July 1, 2020 (the "Fiscal Agent Agreement"), by and between The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent") and the District. In like manner, the District will pay interest on this bond from the Interest Payment Date (as defined below) next preceding the date on which this bond is authenticated, unless (i) its date of authentication is after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") and on or before the immediately succeeding Interest Payment Date, in which event the bond shall bear interest from such Interest Payment Date or (ii) its date of authentication is before the close of business on the first Record Date, in which event the bond shall bear interest from the

date of this bond; provided, however, that if at the time of authentication of this bond, interest is in default, interest on this bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment. Such interest shall be payable on March 2 and September 2 of each year, commencing March 2, 2021 (each, an "Interest Payment Date").

Both the principal hereof and redemption premium hereon, if any, are payable at the office of the Fiscal Agent, and the interest hereon is payable by check mailed by first class mail, postage prepaid, on the Interest Payment Date to the owner hereof at the owner's address as it appears on the records of the Fiscal Agent or at such address as may have been filed with the Fiscal Agent for that purpose, at the close of business on the applicable Record Date; provided, however, that at the written request of an owner of at least \$1,000,000 in aggregate principal amount of bonds, filed with the Fiscal Agent prior to any Record Date, interest on such bonds will be paid to such owner on such succeeding Interest Payment Date by wire transfer of immediately available funds to an account within the United States of America designated in such written request.

This bond will continue to bear interest after maturity at the rate above stated provided it is presented at maturity and payment hereof is refused upon the sole ground that there are not sufficient moneys in said redemption fund with which to pay the same. If it is not presented at maturity, interest hereon will run only until maturity.

This bond is one of several annual maturities of bonds (the "Bonds") of like date, tenor and effect, but differing in amounts, maturities and interest rates, issued by the District under the Act and the Fiscal Agent Agreement for the purpose of providing means for paying for the improvements described in the proceedings; and it is secured by the moneys in the redemption fund and by the unpaid portion of certain assessments made for the payment of those improvements, and, including principal and interest, is payable exclusively out of said fund.

Whenever, as of an Interest Payment Date, there are sufficient funds in the Prepayment Account of the Redemption Fund from the proceeds of prepayments of Assessments, the Bonds shall be called for redemption as provided in Part 11.1 of the Act. Each Bond, or any portion hereof, in the principal amount of \$5,000 or any integral multiple thereof, may be redeemed and paid in advance of maturity on any Interest Payment Date in any year pro rata among maturities, by giving notice to the owner hereof and by paying the principal amount hereof, plus interest to the date of redemption, unless sooner surrendered, in which event said interest will be paid to the date of payment, together with a redemption premium (expressed as percentages of the principal amount of the bond to be redeemed) at the following redemption prices:

<i>Redemption Date</i>	<i>Redemption Price</i>
Any Interest Payment Date on or prior to September 2, 2025	103%
March 2, 2026 and September 2, 2026	102
March 2, 2027 and September 2, 2027	101
March 2, 2028 and any Interest Payment Date thereafter	100

The Bonds maturing on or after September 2, 2031 are also subject to optional redemption prior to their stated maturity dates on any Interest Payment Date on and after September 2, 2030 from such maturities as selected by the District, from proceeds of any bonds issued to refund the Bonds pursuant to the Refunding Act of 1984 for 1915 Improvement Act (the "Refunding Bond Proceeds"), at the redemption price equal to the principal amount being redeemed, without premium, together with accrued interest to the date of redemption.

The Bonds are also subject to optional redemption prior to their stated maturity dates in part, on any date on and after September 2, 2026, among such maturities as selected by the District, from any source of funds other than prepayment of Assessments and Refunding Bond Proceeds, including, but not limited to, surplus monies on deposit in the Improvement Fund and in lieu charges credited to the Assessment District, at the redemption price of \_\_\_% (expressed as a percentage of the principal amount being redeemed), together with accrued interest to the date of redemption.

The Term Bonds maturing on September 2, 20\_\_, and on September 2, 20\_\_ are subject to mandatory redemption, in part by lot, on September 2 in each year commencing September 2, 20\_\_ with respect to the Term Bonds maturing on September 2, 20\_\_, and commencing September 2, 20\_\_ with respect to the Term Bonds maturing on September 2, 20\_\_, at redemption prices equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the dates fixed for redemption.

Term Bond Maturing September 2, 20\_\_

<i>Redemption Date</i> (September 2)	<i>Principal Amount</i> <i>to be Redeemed</i>
---	--

---

\*Maturity.

Term Bond Maturing September 2, 20\_\_

<i>Redemption Date</i> (September 2)	<i>Principal Amount</i> <i>to be Redeemed</i>
---	--

---

\*Maturity.

This bond is transferable by the registered owner hereof, in person or by the owner's attorney duly authorized in writing, at the office of the Fiscal Agent, subject to the terms and conditions provided in the Fiscal Agent Agreement, including the payment of certain charges, if any, upon surrender and cancellation of this bond. Upon such transfer a new registered bond or bonds of any authorized denomination or denominations, of the same maturity, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

Bonds shall be registered only in the name of an individual (including joint owners), a corporation, limited liability company, a partnership, a trust or other legal entity validly existing and authorized to own the Bonds.

Neither the District nor the Fiscal Agent shall be required to make such exchanges or to register such transfers of bonds (a) during the 15 days prior to any Interest Payment Date or the date established

by the Fiscal Agent for selection of Bonds for redemption, or (b) with respect to a bond after such bond has been selected for redemption.

The District and the Fiscal Agent may treat the owner hereof, as shown on the bond register kept by the Fiscal Agent, as the absolute owner for all purposes; and the District and the Fiscal Agent shall not be affected by any notice to the contrary.

The Fiscal Agent Agreement is incorporated by reference herein and by acceptance hereof the registered owner assents to said terms and conditions.

This bond is subject to refunding pursuant to the procedures of the Refunding Act of 1984 for 1915 Improvement Act Bonds.

This bond shall not be entitled to any benefit under the Act or the Fiscal Agent Agreement or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been manually signed by the Fiscal Agent.

THE DISTRICT HAS DECLARED AND DETERMINED IN THE RESOLUTION OF INTENTION THAT PURSUANT TO SECTION 8769 OF THE IMPROVEMENT BOND ACT OF 1915 IT WILL NOT OBLIGATE ITSELF TO ADVANCE AVAILABLE FUNDS FROM THE DISTRICT TREASURY TO CURE ANY DEFICIENCY WHICH MAY OCCUR IN THE REDEMPTION FUND.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE NIPOMO COMMUNITY SERVICES DISTRICT, THE COUNTY OF SAN LUIS OBISPO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE LEVY OF THE ASSESSMENTS AND FROM THE FUNDS PLEDGED THEREFOR AND DESCRIBED IN THE FISCAL AGENT AGREEMENT.

IN WITNESS WHEREOF, the Nipomo Community Services District has caused this bond to be signed in manual or facsimile form by the Treasurer of said District and attested to by the Secretary of said District, all as of the Dated Date.

NIPOMO COMMUNITY SERVICES DISTRICT

\_\_\_\_\_  
Treasurer of the Nipomo Community Services District

ATTEST:

\_\_\_\_\_  
Secretary of the Nipomo Community Services  
District

**[FORM OF CERTIFICATE OF AUTHENTICATION AND REGISTRATION]**

This is one of the bonds described in the within-mentioned Fiscal Agent Agreement, which bond has been authenticated and registered on \_\_\_\_\_, \_\_\_\_\_.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Fiscal Agent

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto

TAX I.D. #: \_\_\_\_\_

the within bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the same on the register of the Fiscal Agent with full power of substitution in the premises.

Date: \_\_\_\_\_

\_\_\_\_\_  
SIGNATURE GUARANTEED:

\_\_\_\_\_  
Signature(s) must be guaranteed by an eligible guarantor institution

NOTE: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever and the signature(s) must be guaranteed by an eligible guarantor.

**EXHIBIT B**

**FORM OF WRITTEN DELIVERY REQUISITION – [COSTS OF ISSUING BONDS]  
[IMPROVEMENT FUND]**

[The Bank of New York Mellon Trust Company, N.A.], as Fiscal Agent (the “Fiscal Agent”)

RE: Disbursement from the [Improvement Fund pursuant to Section 5.07] [Costs of Issuance Fund pursuant to Section 5.02] of the Fiscal Agent Agreement, dated as of July 1, 2020 (the “Fiscal Agent Agreement”), by and between the Nipomo Community Services District (“District”) and the Fiscal Agent, in connection with the issuance of \$ \_\_\_\_\_ Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation Improvement Bonds Series 2020 (the “Bonds”).

REQUISITION NO. \_\_\_\_

You are hereby instructed to pay to the parties listed on Schedule I attached hereto the amounts set forth on Schedule I, such amounts being [costs of issuing the Bonds as provided in Section 5.02] [costs of the Improvements as provided in Section 5.07] of the Fiscal Agent Agreement. These costs have been properly incurred, are a proper charge against the [Costs of Issuance Fund] [Improvement Fund] and have not been the basis of any previous disbursements.

The Fiscal Agent is hereby instructed to pay an amount which shall not exceed the amounts listed on Schedule I attached hereto upon receipt of an invoice of the payee.

NIPOMO COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
Treasurer

**SCHEDULE I**

*Party*

*Purpose*

*Amount*

JULY 22, 2020

ITEM E-2

ATTACHMENT D

## PRELIMINARY OFFICIAL STATEMENT DATED JULY \_\_\_\_, 2020

## NEW ISSUE – BOOK ENTRY ONLY

RATING (see “Rating” herein)

*In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. See “CONCLUDING INFORMATION—Tax Matters” herein.*



\$11,250,000\*

**NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1  
(BLACKLAKE SEWER CONSOLIDATION)  
LIMITED OBLIGATION IMPROVEMENT BONDS  
Series 2020**

**Dated: Date of Delivery****Due: September 2, as shown inside cover**

The Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation Improvement Bonds Series 2020 (the “Bonds”) are limited obligations of the Nipomo Community Services District (the “District”) secured by special assessments to be levied on real property located within the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) (the “Assessment District”).

The design, acquisition, and construction of certain public capital facilities needed to combine the District’s two sewer systems serving the town of Nipomo and the Blacklake community (the “Improvements”), are being financed by the Assessment District and the levy of special assessments will be undertaken as provided by the Municipal Improvement Act of 1913. The Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 and a Fiscal Agent Agreement dated as of July 1, 2020 (the “Fiscal Agent Agreement”) by and between the District and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent (the “Fiscal Agent”) to (i) fund the Reserve Fund for the Bonds, (ii) finance capitalized interest on the Bonds through September 2, 2022, (iii) pay costs of issuance, (iv) reimburse the District for costs of forming the Assessment District, and (v) pay the costs of the Improvements. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE ASSESSMENT DISTRICT” herein.

The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) in the denomination of \$5,000 or any integral multiple thereof. Interest is payable semiannually on March 2 and September 2 of each year, commencing March 2, 2021. Purchasers will not receive certificates representing their interest in the Bonds. Payments of principal and interest on the Bonds will be paid by the Fiscal Agent directly to the registered owner of the Bonds. Upon receipt of payments of principal and interest on Bonds registered to its nominee, DTC is to remit such principal and interest to DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of such Bonds. See APPENDIX F— “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to redemption prior to maturity as described under “THE BONDS—Redemption of Bonds” herein.

Under the provisions of the Improvement Bond Act of 1915, installments of principal and interest sufficient to meet annual Bond debt service will be levied by the District and billed by the County of San Luis Obispo (the “County”) to owners of property within the Assessment District against which there are unpaid assessments. Upon receipt by the District from the County, these annual assessment installments are to be deposited into the Assessment Fund to be held by the District and used to pay debt service on the Bonds as they become due. The Bonds will be secured by a pledge and lien on the assessments and moneys on deposit in the Assessment Fund.

**Unpaid assessments constitute fixed liens on the parcels assessed within the Assessment District and do not constitute a personal indebtedness of the respective owners of such parcels. Accordingly, in the event of a delinquency, proceedings may be taken only against the real property securing the delinquent assessment. Thus, the value of land within the Assessment District is a critical factor in determining the investment quality of the Bonds. See “THE ASSESSMENT DISTRICT—Value-to-Assessment Lien Ratios” and “BONDOWNERS’ RISKS—Land Values” herein.**

The Fiscal Agent will establish a Reserve Fund and deposit therein Bond proceeds in the amount of the Reserve Requirement to provide funds for payment of principal and interest on the Bonds in the event of any delinquent assessment installments. The District’s obligation to advance funds to the Redemption Fund as a result of delinquent installments is limited to the balance in the Reserve Fund. The District has covenanted to initiate judicial foreclosure in the event of a delinquency in certain circumstances unless the District receives 100% of the assessment installments it levies under the County’s Teeter Plan, as described herein. See “SECURITY FOR THE BONDS—

\* Preliminary, subject to change.

**Covenant to Foreclose and Court Foreclosure Proceedings.”**

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE NIPOMO COMMUNITY SERVICES DISTRICT, THE COUNTY OF SAN LUIS OBISPO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE FISCAL AGENT AGREEMENT.**

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including, without limitation, “BONDOWNERS’ RISKS,” to obtain information essential to the making of an informed investment decision.*

*The Bonds are offered when, as and if issued and delivered to the Underwriter subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel and certain other conditions. Disclosure Counsel to the District. Certain matters will be passed upon for the District by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel and by Richards, Watson & Gershon, A Professional Corporation, San Luis Obispo, California, as District Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about July \_\_, 2020.*

**Piper Sandler & Co.**

Dated: July \_\_, 2020

\$11,250,000<sup>\*</sup>  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)**  
**Limited Obligation Improvement Bonds**  
**Series 2020**

BASE CUSIP: \_\_\_\_\_

**MATURITY SCHEDULE**

<i>Maturity Date (September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP†</i>
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\$ \_\_\_\_\_ % Term Bonds due September 2, 20 \_\_, Yield \_\_\_\_\_ % Price: \_\_\_\_\_ – CUSIP†: \_\_\_\_\_

\$ \_\_\_\_\_ % Term Bonds due September 2, 20 \_\_, Yield \_\_\_\_\_ % Price: \_\_\_\_\_ – CUSIP†: \_\_\_\_\_

\$ \_\_\_\_\_ % Term Bonds due September 2, 20 \_\_, Yield \_\_\_\_\_ % Price: \_\_\_\_\_ – CUSIP†: \_\_\_\_\_

C Priced to par call on September 2, 20 \_\_.

\_\_\_\_\_  
*\* Preliminary, subject to change.*

*† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Underwriter or the Municipal Advisor and are included solely for the convenience of the holders of the Bonds. None of the District, the Underwriter or the Municipal Advisor is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.*

**NIPOMO COMMUNITY SERVICES DISTRICT  
COUNTY OF SAN LUIS OBISPO, CALIFORNIA**

Dan Allen Gaddis, *President*  
Craig Armstrong, *Vice President*  
Bob Blair, *Director*  
Ed Eby, *Director*  
Dan Woodson, *Director*

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**DISTRICT OFFICIALS**

Mario Iglesias, *General Manager*  
Lisa Bognuda, *Finance Director/Treasurer*  
Peter Sevcik, *Director of Engineering and Operations*  
Craig A. Steele, *District Counsel*

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**PROFESSIONAL SERVICES**

***Bond Counsel and Disclosure Counsel***

Norton Rose Fulbright US LLP  
Los Angeles, California

***District Counsel***

Richards Watson & Gershon, A Professional Corporation  
San Luis Obispo, California

***Assessment Engineer***

Willdan Financial Services  
Irvine, California

***Municipal Advisor***

Columbia Capital Management, LLC  
Glendale, California

***Fiscal Agent***

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the District, the Fiscal Agent or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Fiscal Agent or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with a nationally recognized municipal securities depository.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein which has been obtained by the District from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the District or the Fiscal Agent. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District, the landowners within the District or any other parties described herein since the date hereof. All summaries of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

While the District maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the District.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE ASSESSMENT DISTRICT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

**THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

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**NIPOMO COMMUNITY SERVICES DISTRICT  
VICINITY MAP**



**\$11,250,000\***  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)**  
**LIMITED OBLIGATION IMPROVEMENT BONDS**  
**SERIES 2020**

**INTRODUCTION**

**Purpose**

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the Nipomo Community Services District (the “District”) of the \$11,250,000\* Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation Improvement Bonds Series 2020 (the “Bonds”). The proceeds of the Bonds will be used to (i) fund the Reserve Fund for the Bonds, (ii) finance capitalized interest on the Bonds through September 2, 2022, (iii) pay costs of issuance, (iv) reimburse the District for the costs of forming the Assessment District, and (v) pay the costs for the design, acquisition and construction of certain public capital facilities needed to combine the Town sewer system and the Blacklake sewer system within the District (the “Improvements”) for the benefit of properties within the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) (the “Assessment District”). See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE ASSESSMENT DISTRICT” herein.

The Bonds are to be issued pursuant to a Fiscal Agent Agreement by and between the District and The Bank of New York Mellon Trust Company, N.A. (the “Fiscal Agent”), dated as of July 1, 2020 (the “Fiscal Agent Agreement”). The Bonds are secured under the Fiscal Agent Agreement by a pledge of and lien upon the Assessments (as defined therein) and all moneys on deposit in the Assessment Fund, the Redemption Fund and the Reserve Fund. See “SECURITY FOR THE BONDS.”

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in, this entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined herein shall have the meanings set forth in APPENDIX C— “SUMMARY OF THE FISCAL AGENT AGREEMENT—Definitions” herein.

**Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward- looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption “THE ASSESSMENT DISTRICT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS,

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\* Preliminary, subject to change.

UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

### **The District**

The District was formed in 1965 as a community services district under the Community Services District Law, found in Division 3 of Title 6 of the Government Code of the State of California, for purposes of supplying water for domestic irrigation, sanitation, industrial, commercial, recreation and fire suppression use. The District is located off of Highway 101 on the central coast of California between San Francisco and Los Angeles, in the rural area of San Luis Obispo County (the “County”), south of the City of San Luis Obispo and north of the City of Santa Maria, in the unincorporated community of Nipomo, located in the southwest section of the County near the cities or communities of Arroyo Grande and Oceano. The town of Nipomo includes approximately 14.9 square miles of land. See “THE DISTRICT” and “APPENDIX D – COUNTY OF SAN LUIS OBISPO DEMOGRAPHIC AND ECONOMIC DATA.”

The District’s service area includes portions of unincorporated area of the County. The District includes approximately 4,450 acres of land comprising 7 square miles serving a portion of the town of Nipomo. The District currently has a population of approximately 13,614, provides water service for 4,450 service connections and 3,200 sewer connections for residential and commercial customers.

### **The Assessment District**

The District’s sewer enterprise consists of two systems (the Town Sewer System and the Blacklake Sewer System). The Blacklake Sewer System was constructed as part of the Blacklake development in 1984 to serve only the Blacklake Specific Plan area. In 1992, the Blacklake Specific Plan area was annexed into the District along with the separate Blacklake Sewer System.

The existing Blacklake gravity sewer collection system consists of seven miles of gravity pipeline, three lift stations and force main. All flow is conveyed to the Blacklake Water Reclamation Facility. The Town Sewer System consists of approximately thirty miles of gravity sewer, ten lift stations and four miles of force main. All flow from the Town Sewer System is conveyed to the Southland Wastewater Treatment Facility, rebuilt in 2015. The Blacklake Sewer System serves 559 parcels while the Town Sewer System serves over 3,000 parcels.

Since annexation, the sewer rates for the residents served by the Blacklake Sewer System have exceeded the rates for customers served by the Town Sewer System. Currently, the estimated annual sewer cost for a single family residence served by the Blacklake Sewer System is \$1,382 compared to \$624 for a single family residence served by the Town Sewer System.

In an effort to reduce overall sewer costs for the Blacklake area, in Fall 2019, the District looked at consolidating the two systems by decommissioning the existing Blacklake Water Reclamation Facility and conveying wastewater from the Blacklake community to the Southland Wastewater Treatment Facility, resulting in a new lift station and force main connecting the Blacklake Sewer System to the Town Sewer System. Following consolidation, the expected costs for sewer for residents of the Assessment District (consisting of Town Sewer rates plus the Assessment Installment) is expected to be less than the District’s projected future sewer rates for the Blacklake Sewer System in the absence of

consolidation.

The Assessment District boundaries are coterminous with the boundaries of the Blacklake Specific Plan and consists of a fully developed residential community of 555 homes built around the 27-hole Blacklake Golf Resort in Nipomo, California; located in south San Luis Obispo County, generally bounded on the south by Willow Road on the south, Pomeroy Road on the east, Black Lake Canyon on the north and Via Concha on the west. Blacklake Village consists of seven individual developments, each with their own homeowner's association, including Crown Pointe, The Estates, The Fairways, The Legends, The Oaks, Tourney Hills, and Villagio.

There are 559 parcels in the Assessment District (487 single family detached residential, 68 condominium residential, 1 homeowner association parcel, 2 parcels owned by the Blacklake Golf Resort, and 1 other commercial parcel in use as a restaurant/market). There are 513 parcels with unpaid Assessments securing the Bonds (448 single family detached residential, 61 condominium residential, as well as the HOA parcel, the 2 golf course parcels and the 1 other commercial parcel). All parcels with unpaid Assessments have been developed. See "THE ASSESSMENT DISTRICT" herein.

Assessment proceedings were initiated by the Board of Directors of the District pursuant to the Municipal Improvement Act of 1913, Division 12 of the California Streets and Highways Code (the "Act") by adoption of Resolution No. 2020-1547 on March 11, 2020 (the "Resolution of Intention"), declaring its intention to form the Assessment District. Willdan Financial Services, Inc. (the "Assessment Engineer"), prepared a written report which contained among other things, the proposed assessment for each parcel of land in the Assessment District. The written report was filed and preliminarily approved by the Board of Directors by the Resolution of Intention (the "Engineer's Report"). On May 13, 2020, a public hearing was duly held as noticed, and all persons interested and desiring to be heard were given an opportunity to speak and be heard, and all matters pertaining to the levy were fully heard and considered by the Board of Directors, and all oral statements and all written protests or communications were duly considered. Following the public hearing, the assessment ballots were tabulated by the Assessment Engineer and the Secretary and it was found that a majority protest as defined by Article XIID of the California Constitution did not exist (22% protest). On May 13, 2020, the Board of Directors adopted its resolution confirming the proposed assessments. The District confirmed a total assessment of \$13,210,000 and recorded such confirmed assessments. After confirmation and recordation, the assessments became liens against the various assessed parcels.

All property owners in the Assessment District were then given mailed notice of the opportunity to pay all or a portion of their Assessments in cash after the recording of the Assessments. Originally, there were 559 assessed parcels with confirmed Assessments totaling \$13,210,000. During the cash prepayment period, 46 parcels fully prepaid their Assessments. There remains \$12,131,632.58 of unpaid Assessments securing the Bonds (the "Assessments"). See "SECURITY FOR THE BONDS."

### **Property Values and Value-to-Assessment Lien Ratios**

The aggregate assessed value of the parcels in the Assessment District with unpaid Assessments, as shown in the County of San Luis Obispo assessor's roll for fiscal year 2019-20, was \$250,101,772. The ratio of the assessed value of such parcels to the total amount of the unpaid Assessments, is approximately 20.62 to 1 (not including any overlapping debt of other taxing entities with respect to such properties). See "THE ASSESSMENT DISTRICT— Value-to-Lien Assessment Ratios" for certain value-to-lien information with respect to the parcels within the Assessment District.

## **The Improvements**

Bond proceeds will primarily be used to provide design, acquisition and construction of certain public capital facilities needed to combine the Town Sewer and the Blacklake Sewer Systems within the District, which the District has determined will be of benefit to the properties within the Assessment District. See “THE ASSESSMENT DISTRICT – The Improvements” and APPENDIX B - “ENGINEER’S REPORT.”

## **No Additional Bonds**

The District is not authorized to issue additional bonds (other than the Bonds or any refunding bonds) secured by the Assessments.

## **Professionals Involved in the Offering**

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as Fiscal Agent under the Fiscal Agent Agreement. Columbia Capital Management, LLC, Glendale, California, will act as Municipal Advisor to the District in connection with the Bonds. The legal proceedings in connection with the issuance and delivery of the Bonds are subject to the approval as to their legality of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. Certain matters will be passed upon for the District by Norton Rose Fulbright US LLP, as Disclosure Counsel, and by Richards, Watson & Gershon, A Professional Corporation, San Luis Obispo, California, as District Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Other professional services have been performed by Willdan Financial Services, Irvine, California, as Assessment Engineer.

For information concerning financial or other interests which certain of the above-mentioned professionals, advisors, counsel and agents may have in the offering of the Bonds, see “CONCLUDING INFORMATION— Financial Interests” herein.

## **Continuing Disclosure**

The District has agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, certain annual financial information and operating data. The District has further agreed to provide notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5). See “CONCLUDING INFORMATION—Continuing Disclosure” herein and Appendix G hereto for a description of the specific nature of the annual reports and notices of enumerated events to be provided by the District.

## **Bond Owners’ Risks**

Certain events could affect the timely repayment of the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “BONDOWNERS’ RISKS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The purchase of the Bonds involves risks, and the Bonds are not suitable investments for some types of investors. See “BONDOWNERS RISKS” herein.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Fiscal Agent Agreement are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Fiscal Agent Agreement, the Bonds and the constitution and laws of the State as well as the proceedings of the Board of Directors of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Fiscal Agent Agreement. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement, the Continuing Disclosure Certificate and other documents and information referred to herein are available for inspection and (upon request and payment to the Fiscal Agent of a charge for copying, mailing and handling) for delivery from the Fiscal Agent.

### ESTIMATED SOURCES AND USES OF FUNDS

The Fiscal Agent will receive the proceeds from the sale of the Bonds upon delivery of such Bonds to the purchasers thereof. The proceeds of the Bonds will be applied as set forth in the following table:

**SOURCES:**

Par Amount of Bonds  
Plus Net Original Issue Premium  
Less Underwriter's Discount  
Total Sources

**USES:**

Improvement Fund<sup>(1)</sup>  
Costs of Issuance Fund<sup>(2)</sup>  
Capitalized Interest Account<sup>(3)</sup>  
Reserve Fund  
Total Uses

<sup>(1)</sup> Amounts to be used to finance the construction of the Improvements.

<sup>(2)</sup> Includes costs of issuance, such as Fiscal Agent, Municipal Advisor, Bond Counsel and Disclosure Counsel fees and costs, printing costs, rating fees, [insurance premium] and other related costs for the issuance of Bonds, reimbursable expenses of the District, certain upfront design and engineering costs and the costs of the formation of the Assessment District.

<sup>(3)</sup> To fund interest on the Bonds through September 2, 2022.

### THE BONDS

#### General

The \$11,250,000\* aggregate principal amount of the Bonds was authorized for issuance by a resolution adopted by the Board of Directors of the District and are being issued by the District pursuant to the Act and the Fiscal Agent Agreement between the District and the Fiscal Agent.

\* Preliminary, subject to change.

The Bonds will be dated their date of delivery and mature on September 2 in the years and in the amounts shown on the cover page of this Official Statement. Interest shall be payable semiannually on March 2 and September 2 of each year until maturity commencing March 2, 2021. The Bonds are issued as fully registered bonds, with authorized denominations of \$5,000 and any increment of \$5,000 in excess thereof.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated after a Record Date and on or before the immediately succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated before the close of business on the first Record Date, in which event it shall bear interest from its dated date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon or from the date of original delivery of the Bonds, if no interest has previously been paid or made available for payment on the Outstanding Bonds.

Interest on the Bonds is payable by the Fiscal Agent on each Interest Payment Date, until the principal amount of a Bond including mandatory sinking fund payments thereon, if any, has been paid or made available for payment, to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of the Business Day on the Record Date preceding the Interest Payment Date. The Bonds will be held in book-entry form and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), all interest payments will be made directly to DTC for distribution to the beneficial owners in accordance with DTC's procedures. See APPENDIX F - "BOOK-ENTRY ONLY SYSTEM" herein.

#### **Redemption of Bonds\***

***Mandatory Redemption From Assessment Prepayments.*** Whenever, as of an Interest Payment Date, there are sufficient funds in the Prepayment Account of the Redemption Fund from the proceeds of prepayments of Assessments, the Bonds shall be called for redemption as provided in Part 11.1 of the Improvement Bond Act of 1915 (the "1915 Act"). Each Bond, or any portion thereof, in the principal amount of \$5,000 or any integral multiple thereof, may be redeemed and paid in advance of maturity on any Interest Payment Date in any year pro rata among maturities, by giving notice to the Owner thereof and by paying the principal amount thereof, plus interest to the date of redemption, unless sooner surrendered, in which event said interest will be paid to the date of payment, together with a redemption premium (expressed as percentages of the principal amount of the Bonds to be redeemed) at the following redemption prices:

<i>Redemption Date</i>	<i>Redemption Prices</i>
Interest Payment Dates on or prior to September 2, 2025	103%
March 2, 2026 and September 2, 2026	102
March 2, 2027 and September 2, 2027	101
March 2, 2028 and any Interest Payment Date thereafter	100

Mandatory redemption from prepayments of Assessments could reduce the otherwise expected yield on the Bonds. See "BONDOWNERS' RISKS – Potential Early Redemption of Bonds from Prepayments or Other Sources."

***Optional Redemption of Bonds from Refunding Bonds.*** The Bonds maturing on or after September 2, 2031 are subject to redemption prior to their stated maturity dates on any Interest Payment

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\* Preliminary, subject to change.

Date on and after September 2, 2030 from such maturities as selected by the District, from proceeds of any bonds issued to refund the Bonds pursuant to the Refunding Act of 1984 for 1915 Improvement Act (the "Refunding Bond Proceeds"), at the redemption price equal to the principal amount being redeemed, without premium, together with accrued interest to the date of redemption.

**Optional Redemption of Bonds from Surplus Funds.** The Bonds are subject to redemption prior to their stated maturity dates in part, on any date on and after September 2, 2026, among such maturities as selected by the District, from any source of funds other than prepayment of Assessments and Refunding Bond Proceeds, including, but not limited to, surplus monies on deposit in the Improvement Fund and in lieu charges credited to the Assessment District, at the redemption price of \_\_\_\_% (expressed as a percentage of the principal amount being redeemed), together with accrued interest to the date of redemption.

**Mandatory Sinking Fund Redemption.** The Term Bonds maturing on September 2, 20\_\_ , and on September 2, 20\_\_ are subject to mandatory redemption, in part by lot, on September 2 in each year commencing September 2, 20\_\_ with respect to the Term Bonds maturing on September 2, 20\_\_ , and with respect to the Term Bonds maturing on September 2, 20\_\_ , at redemption prices equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the dates fixed for redemption.

Term Bond Maturing September 2, 20\_\_

<b>Redemption Date</b> (September 2)	<b>Principal Amount</b> <i>to be Redeemed</i>
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\_\_\_\_\_  
\*Maturity.

Term Bond Maturing September 2, 20\_\_

<b>Redemption Date</b> (September 2)	<b>Principal Amount</b> <i>to be Redeemed</i>
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\_\_\_\_\_  
\*Maturity.

If some but not all of the Term Bonds have been redeemed pursuant to extraordinary or optional redemptions, the total amount of sinking fund payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by reducing each such future sinking fund payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 (for extraordinary redemptions) or as determined by the District (for optional redemptions), in each case as shall be designated pursuant to written notice filed by the District with the Fiscal Agent.

## **Purchase of Bonds**

In lieu of payment at maturity or redemption, moneys in the Redemption Fund may be used and withdrawn by the Fiscal Agent for purchase of outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus the premium, if any, which would be paid upon redemption, plus interest accrued to the date of purchase.

## **Notice of Redemption**

With respect to the Bonds held in book-entry form, notices of redemption will be mailed only to The Depository Trust Company and not to any beneficial owner of the Bonds.

The Fiscal Agent shall cause notice of any redemption to be mailed by registered or certified mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the securities depository and to certain information services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent; but the actual receipt of any notice shall not be a condition precedent to such redemption and failure to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date.

A notice of redemption for optional redemption may be conditioned on the receipt by the District of sufficient funds to effect the redemption. If sufficient funds are not received by the District by the redemption date, the redemption shall not occur and the Bonds will remain outstanding under the Fiscal Agent Agreement. If any redemption is cancelled due to lack of sufficient funds, the Fiscal Agent shall mail a notice to the Bondowners stating that such redemption was cancelled and did not occur.

## **Selection of Bonds for Redemption**

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds, the District shall select the Bonds for redemption in such a way that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each maturity of the Bonds insofar as possible. The Fiscal Agent shall select the particular Bonds to be redeemed from each maturity by lot if the Bonds of such maturity are not then in book-entry form.

If, at the time of a redemption of less than all of the Bonds of a maturity, the Bonds of such maturity are registered in book-entry only form and the securities depository, or its nominee, is the sole Owner of such Bonds, the Bonds of such maturity will be redeemed on a "Pro-Rata Pass Through Distribution of Principal" basis in accordance with the securities depository's procedures; provided, however, that such redemption will be made in accordance with the operational arrangements of the securities depository then in effect. The underwriters of the Bonds have advised the District that the Bonds will be made eligible, in the case of a partial redemption of a maturity thereof, to be treated by the securities depository in accordance with its rules and procedures, as a "pro rata pass-through distribution of principal." The Fiscal Agent will send notice to the securities depository in accordance with such rules and procedures to effect a pro rata reduction of principal of the applicable Bonds to accomplish partial redemption of the Bonds through a pass-through distribution of principal. In connection with each such redemption, the Fiscal Agent will include in the notice of redemption sent by the Fiscal Agent the dollar amount per \$5,000 principal amount payable on account of principal and accrued interest to effect a pro-rata reduction through a pass-through distribution of principal on the related redemption date. The securities depository will be responsible for distributing the principal and accrued interest among its direct

participants, as applicable, pro rata in accordance with its rules and procedures for a pro rata pass through distribution of principal based upon the beneficial interest in the Bonds being redeemed that the securities depository's records list as owned by each securities depository direct participant as of the record date for such payment. Any failure of the Fiscal Agent to make such selection or of the securities depository or its participants or any other intermediary, to make such selection or proportional allocation, for whatever reason, will not affect the sufficiency of the validity of the redemption of the Bonds.

If, at the time of a redemption of less than all of the Bonds of a maturity, the Bonds of such maturity are registered in book-entry only form and the securities depository, or its nominee, is the sole Owner of such Bonds, but the securities depository's operational arrangements do not allow for allocation of such redemption on a pro rata pass-through distribution of principal bases, the portion of the Bonds of such maturity to be redeemed will be selected in accordance with the securities depository's then existing rules and procedures and may be by lot.

### **Refunding Bonds**

Pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the Streets and Highways Code) (the "1984 Act"), the District may issue refunding bonds for the purpose of redeeming the Bonds. The District may issue and sell refunding bonds without giving notice to and conducting a hearing for the owners of property in the Assessment District or giving notice to the owners of the Bonds if the Board of Directors makes the findings required in the 1984 Act.

### **Registration, Exchange or Transfer**

The registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Fiscal Agent, accompanied by delivery of a written instrument of transfer in a form acceptable to the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds may be exchanged at the office of the Fiscal Agent for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Fiscal Agent will not charge the Owner for any new Bond issued upon any exchange or transfer, but shall require the Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. The cost of printing any Bonds and any services rendered or any expenses incurred by the Fiscal Agent in connection with any exchange or transfer shall be paid by the District as Administrative Expenses. Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond or Bonds of the same maturity for a like aggregate principal amount; provided, that the Fiscal Agent shall not be required to register transfers or make exchanges of Bonds (a) 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, or (b) with respect to a Bond after such Bond has been selected for redemption.

### **Annual Debt Service**

Table 1 below sets forth the annualized debt service on the Bonds based on the maturity schedule and interest rates set forth on the cover page of this Official Statement assuming no earlier redemption thereof (other than mandatory sinking fund redemption, if any).

**TABLE 1**  
**ANNUALIZED DEBT SERVICE<sup>(1)</sup>**

<i>Year Ending September 2</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020 <sup>(2)</sup>			
2021 <sup>(2)</sup>			
2022 <sup>(2)</sup>			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
<b>Total</b>			

<sup>(1)</sup> Assumes no redemption prior to maturity.

<sup>(2)</sup> To be paid from capitalized interest.

## SECURITY FOR THE BONDS

### Limited Obligation

The obligation of the District relating to the Bonds is not a general obligation of the District, but is a limited obligation, payable solely from the Assessments and from the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the District, the County or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds. **Notwithstanding any other provision of the Fiscal Agent Agreement, the District is not obligated to advance available surplus funds from the District treasury to cure any deficiency in the Redemption Fund.**

### Assessment Liens and Installments

The Bonds are issued upon and secured by and payable solely from the unpaid Assessments on parcels of property within the Assessment District together with interest thereon, and such unpaid Assessments, together with interest thereon, constitute a fund for the redemption and payment of the principal, including mandatory sinking fund payments, if any, of the Bonds and the interest thereon and premium, if any. The Bonds are secured by the moneys in the Assessment Fund, the Redemption Fund and the Reserve Fund created pursuant to the Fiscal Agent Agreement. Amounts in the Reserve Fund will secure the payment of debt service on the Bonds.

**THE BONDS ARE NOT SECURED BY THE GENERAL TAXING POWER OF THE DISTRICT, THE COUNTY OF SAN LUIS OBISPO OR THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR IS THE FULL FAITH AND CREDIT OF THE DISTRICT, THE COUNTY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS PLEDGED TO THE PAYMENT OF THE BONDS.**

Although the unpaid Assessments constitute fixed liens on the parcels assessed, they do not constitute a personal indebtedness of the respective owners of such parcels. There can be no assurance as to the ability or the willingness of such owners to pay the unpaid Assessments when due. See "BONDOWNERS' RISKS" herein.

The unpaid Assessments will be collected in annual installments, together with interest, on the County secured tax roll on which general taxes on real property are collected (the "Assessment Installments"), commencing with property tax year 2022-23. The Annual Installments will also include an amount for the payment of administrative expenses in the amount set forth in the Engineer's Report; such amounts are not available to pay debt service on the Bonds. The Assessment Installments are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes. The properties upon which the Assessments are levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. The District shall immediately deposit the annual Assessment Installments into the Assessment Fund held by the District upon receipt from the County. Amounts in the Assessment Fund shall secure the payment of debt service on the Bonds. On or prior to the first day of March and September of each year, the District shall transfer to the Fiscal Agent for deposit into the Redemption Fund and the Reserve Fund the amount required in the Fiscal Agent Agreement.

The Assessment Installments billed against each of the parcels in the Assessment District each year represent a pro rata share of the total principal, including mandatory sinking fund payments, if any, and interest coming due on all of the Bonds that year, including any amounts needed to replenish the Reserve Fund. The amount billed against each parcel is based on the percentage which the unpaid

Assessment against the property bears to the total of unpaid Assessments in the Assessment District. The failure of a property owner to pay an annual Assessment Installment will not result in an increase in Assessment Installments against other property in the Assessment District.

Each property owner has a statutory right to prepay the Assessment on a parcel in whole or in part on any date. Amounts received as prepaid Assessments will be deposited in the Prepayment Account of the Redemption Fund and shall be used solely for the purpose of redeeming Bonds. See "THE BONDS—Redemption of Bonds— *Mandatory Redemption from Assessment Prepayments.*"

### **Tax Loss Reserve Fund – Teeter Plan**

Some California counties and the other political subdivisions within their boundaries operate under the provisions of Sections 4701 through 4717, inclusive, of the Revenue and Taxation Code of the State of California, commonly referred to as the "Teeter Plan," with respect to property tax collection and disbursement procedures. These sections provide an alternative method of apportioning secured taxes whereby agencies levying taxes or assessments through county tax billings may receive from the county 100% of their taxes or assessments at the time they are levied. The county treasury's cash position (from taxes) is insured by a special tax loss reserve fund accumulated from delinquent penalties.

The Assessment Installments are expected to be collected under the County's Teeter Plan commencing with property tax year 2022-23. So long as the County maintains its policy of collecting taxes and assessments pursuant to said procedures and the District meets the Teeter Plan requirements, the District will receive 100% of the annual unpaid Assessment Installments levied on the County's secured property tax rolls without regard to actual collections. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning assessments pursuant to the aforementioned procedures. The Board of Supervisors of the County may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County under certain circumstances.

### **Limited Obligation Upon Delinquency**

THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT AND ARE PAYABLE SOLELY FROM THE ASSESSMENTS AND THE ASSETS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT. THE DISTRICT HAS DETERMINED NOT TO OBLIGATE ITSELF AND HAS NO LEGAL OR MORAL OBLIGATION TO ADVANCE AVAILABLE FUNDS FROM THE DISTRICT TREASURY TO PAY BOND DEBT SERVICE IN THE EVENT OF DELINQUENT ASSESSMENT INSTALLMENTS. BONDOWNERS SHOULD NOT RELY UPON THE DISTRICT TO ADVANCE AVAILABLE FUNDS FROM THE DISTRICT TREASURY TO THE REDEMPTION FUND. NOTWITHSTANDING THE FOREGOING, THE DISTRICT MAY, AT ITS SOLE OPTION AND IN ITS SOLE DISCRETION, ELECT TO ADVANCE SUCH FUNDS.

### **Reserve Fund**

The Fiscal Agent Agreement provides that a Reserve Fund must be maintained. As established by the Fiscal Agent Agreement, the Reserve Fund is to be held by the Fiscal Agent. The amount to be maintained in the Reserve Fund is to equal the Reserve Requirement. The Reserve Requirement means, as of any date of calculation, 50% of the then maximum annual debt service due on the Bonds. Upon issuance of the Bonds, the Reserve Requirement shall be \$ \_\_\_\_\_. Moneys in the Reserve Fund shall be held for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of, including mandatory sinking fund payments, if any, and interest on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds. See APPENDIX C - "SUMMARY OF FISCAL AGENT

AGREEMENT.”

In connection with an Assessment prepayment, the amount of each Assessment prepaid shall be reduced by the amount the Fiscal Agent is required to transfer from the Reserve Fund for deposit in the Prepayment Account of the Redemption Fund. Under the Fiscal Agent Agreement, the Fiscal Agent is to transfer the portion of the balance then in the Reserve Fund equal to the proportion that the Assessment prepaid bears to the total of all Assessments remaining unpaid as of such date. The District shall notify, or shall cause the Fiscal Agent to be notified of the amount so transferred. After each such transfer, the Reserve Requirement shall be reduced by the amount of the related transfer.

Whenever there are insufficient funds in the Redemption Fund to meet the next maturing installment of principal of, including mandatory sinking fund payments, if any, or interest on the Bonds, the Fiscal Agent shall transfer from the Reserve Fund for deposit into the Redemption Fund an amount necessary to satisfy such deficiency. The District agrees in the Fiscal Agent Agreement that if such insufficiency was caused by delinquent payment of Assessment Installments, then an amount equal to the amount so transferred shall be reimbursed and transferred by the District to the Fiscal Agent, for deposit in the Reserve Fund from the proceeds of redemption or sale of the delinquent parcel.

If at any time the amount of interest earned by the investment of any portion of the Reserve Fund, together with the principal amount in the Reserve Fund, shall exceed the Reserve Requirement, such excess shall, at the written direction of the District, be transferred by the Fiscal Agent to the Redemption Fund and shall be credited by the District upon the unpaid Assessments in the manner set for the in the 1913 Act.

Whenever the balance in the Reserve Fund and the Redemption Fund is sufficient to retire all the remaining outstanding Bonds, the Fiscal Agent shall transfer at the written direction of the District the balance in the Reserve Fund to the Redemption Fund and the District shall cease the collection of the principal and interest on the unpaid Assessments. In such case, the District shall credit the balance so transferred against the Assessments remaining unpaid in the manner set forth in the 1915 Act.

THE DISTRICT HAS NO OBLIGATION TO REPLENISH THE RESERVE FUND EXCEPT TO THE EXTENT THAT DELINQUENT ASSESSMENT INSTALLMENTS ARE PAID OR PROCEEDS FROM FORECLOSURE SALES ARE REALIZED.

**Covenant to Foreclosure and Court Foreclosure Proceedings**

The 1913 Act provides that in the event any Assessment or installment thereof or any interest thereon is not paid when due, the District may order the institution of a court action to foreclose the lien of the unpaid Assessment. In such an action, the real property subject to the Assessment may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory. However, pursuant to the Indenture, the District will covenant for the benefit of the Owners to commence foreclosure proceedings no later than October 1 of the fiscal year immediately following the fiscal year in which delinquency in the payment of an Assessment Installment occurs, except the District need not commence such proceedings with respect to any property other than property owned by a single property owner who is delinquent in excess of \$3,000 in the payment of Assessment Installments if both (a) the aggregate amount of such delinquent Assessment Installments does not exceed five percent (5%) of the Assessment Installments posted to the tax roll for the preceding Fiscal Year and (b) the balance on deposit in the Reserve Fund is not less than the Reserve Requirement. The District will also covenant to diligently prosecute any such foreclosure action to judgment and foreclosure sale unless such delinquency is paid prior thereto. Upon the redemption or sale of the real property responsible for such delinquencies, the District will first deposit to the Reserve Fund the amount of any delinquency advanced therefrom and

then disburse the remaining amount as set forth in the judgment of foreclosure or as required by law.

Commencement of any foreclosure proceedings includes the District's efforts to collect the delinquent Assessment Installments by sending subsequent notice of delinquency and a demand for immediate payment thereof. The District may treat any delinquent Assessment Installment sold to an independent third-party or to any funds of the District for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount shall be deposited in the Assessment Fund. Notwithstanding the above, as long as the Assessment Installments are the subject of the County's Teeter Plan and the District is receiving 100% of the Assessment Installments it levies, the District shall not have any obligation to commence judicial foreclosure proceedings as described above.

The 1913 Act provides that the court in a foreclosure proceeding has the power to order property securing delinquent Assessment Installments to be sold for an amount not less than all Assessment Installments, interest, penalties, costs, fees and other charges that are delinquent at the time the foreclosure action is ordered and certain other fees and amounts as provided in the 1913 Act. The court may also include subsequent delinquent Assessment Installments and all other delinquent amounts.

If the property to be sold fails to sell for the minimum price described above, the District may petition the court to modify the judgment so that the property may be sold at a lesser price or without a minimum price. In certain circumstances, the court may modify the judgment after a hearing if the court makes certain determinations, including, but not limited to, a determination that the sale at less than the minimum price will not result in an ultimate loss to the Owners of the Bonds or a determination that the Owners of at least 75% of the principal amount of the Bonds outstanding have consented to the petition and the sale will not result in an ultimate loss to the non-consenting Bond Owners. Neither the property owner, nor any holder of a security interest in the property, nor any defendant in the foreclosure action, nor any agent thereof may purchase the property at the foreclosure sale for less than the minimum price.

For any lot or parcel with not more than four dwelling units, a period of 140 days must elapse after the date of the notice of levy of the interest in real property is served on the judgment debtor before the sale of such lot or parcel can be made. However, pursuant to Streets and Highways Code Section 8832, the 140 day period may be shortened to 20 days for undeveloped property. If the judgment debtor fails to redeem, and if the purchaser at the sale is the judgment creditor (e.g., the District), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale.

In the event judicial foreclosure proceedings are commenced by the District, there may be delays in payments to Owners of the Bonds pending prosecution of the foreclosure proceedings to completion, including the receipt of the District of the proceeds of the foreclosure sale. It is also possible that no qualified bid will be received at the foreclosure sale. See "BONDOWNERS' RISKS" herein.

### **Priority of Assessment Lien**

The Assessments (and any further assessment or reassessment) and each installment thereof and any interest and penalties thereon constitute a lien against the lots and parcels of land on which they were imposed until paid. Such lien has priority over all fixed special assessment liens which may thereafter be created against the property, and also has priority over all private liens, including the lien of any mortgage or deed of trust whenever created. Such lien is co-equal to and independent of the lien for general taxes. See "THE ASSESSMENT DISTRICT—Direct and Overlapping Indebtedness" and "BONDOWNERS' RISKS—FDIC/Federal Government Interests in Parcels."

## **No Additional Bonds**

The District is not authorized to issue additional bonds (other than the Bonds or any refunding bonds) secured by the Assessments. See “THE BONDS—Refunding Bonds” above.

## **BOND INSURANCE**

[TO FOLLOW]

## **THE DISTRICT**

The District was formed in 1965 and currently has a population of approximately 13,614 within the Nipomo area providing customers with one or more services including water, wastewater, street lighting, solid waste disposal or limited drainage services. The District is a California Community Services District organized pursuant to Government Code Sections 61000 et seq. The District is located off of Highway 101 on the central coast of California mid-way between San Francisco and Los Angeles, in the rural area of the County, south of the City of San Luis Obispo and north of the City of Santa Maria. The District’s service area overlies the southern portion of the community of Nipomo, nine miles south of the City of Arroyo Grande, seven miles north of the City of Santa Maria and twelve miles from Pismo Beach. The Nipomo community is located at the foot of the Temetate Ridge and is on a coastal mesa averaging an elevation of 380 feet above sea level. Appropriately, the name Nipomo is derived from the Chumash Indian word “Nepomah” meaning “foot of the hills.” The District includes approximately 4,450 acres of land comprising seven square miles. The District’s authority does not include legislative or executive powers over zoning or land use.

The District currently provides water service for 4,450 service connections and 3,200 sewer connections for residential and commercial customers. Most of the customers reside in single family homes, but service is also provided to multi-family residential homes and commercial and light industrial users.

The District’s sewer enterprise consists of two systems (the Town Sewer System and the Blacklake Sewer System). The Blacklake Sewer System serves the 559 parcels within the Blacklake community while the remaining customers within the District are served by the Town Sewer System which services over 3,000 parcels.

The District population is expected to grow from approximately 13,614 to approximately 15,827 by 2040. Approximately 4,000 acres of land within the District are currently developed, of which approximately 3,316 acres are residential, 400 acres are commercial, and 300 acres are recreational.

The District is governed by a 5-member board of directors (the “Board of Directors”), the members of which are elected by the registered voters in the District to staggered 4-year terms. The current Board of Directors members, the expiration dates of their terms and their occupations are set forth below.

The names of the members of the District Board and the dates their terms expire are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires (December)</u>	<u>Occupation</u>
Dan Allen Gaddis	President	2022	Retired Aerospace Manager
Craig Armstrong	Vice President	2020	Retired Financial Executive
Bob Blair	Director	2020	Retired Doctor of Pharmacy
Ed Eby	Director	2022	Retired Aerospace Engineer
Dan Woodson	Director	2022	Retired Civil Engineer

Day-to-day management of the District is delegated to the General Manager. Set forth below is a brief resume of the General Manager and principal staff:

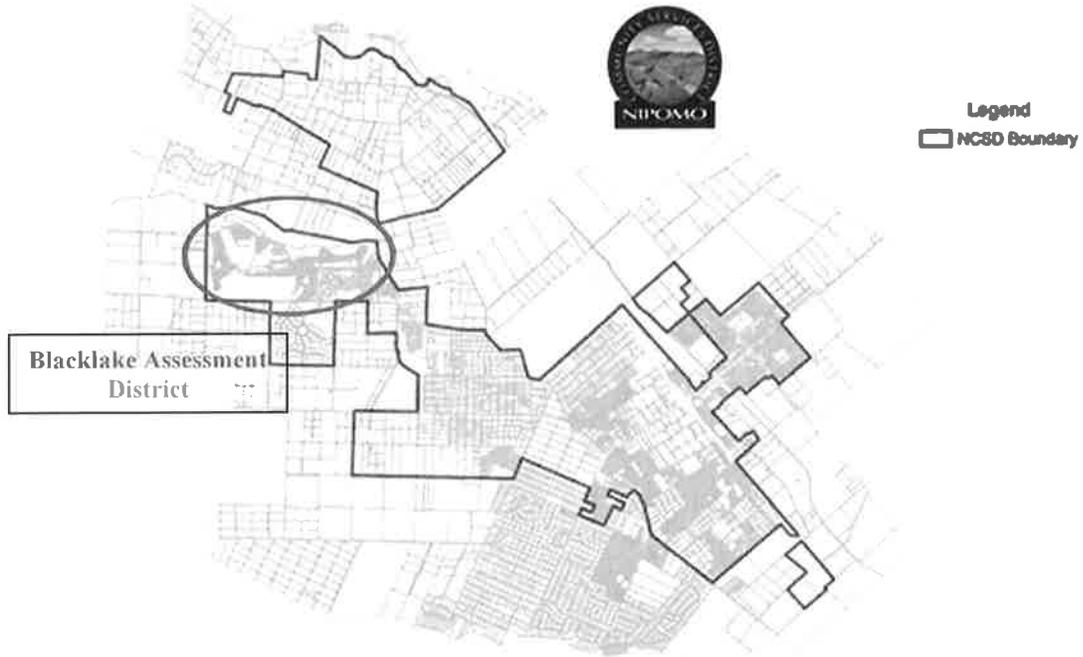
*Mario Iglesias, General Manager and Secretary to the Board.* Mario Iglesias has 32 years of experience in the utility industry. Prior to serving as the District's General Manager, he worked as the Utility Systems Manager for the City of Morgan Hill overseeing an annual budget of \$19 million. Prior to that, he was the General Manager of the Aromas Water District for five years. Mr. Iglesias began his career as an operator at California-American Water Company on the Monterey Peninsula where he advanced to Production Superintendent. Mr. Iglesias holds a Bachelor's Degree in Public Administration from the University of San Francisco and an Associate's Degree in Water and Wastewater Management from Hartnell College.

*Lisa S. Bognuda, Finance Director.* Lisa S. Bognuda has served as Finance Director for the District for more than 28 years. Prior to 1993, she was a Tax Accountant with Glenn, Burdette, Phillips & Bryson, CPA firm for 6 years. Ms. Bognuda became a Certified Public Accountant in 1988. She received a Bachelor of Science degree in Business Administration with a concentration in accounting from California Polytechnic State University, San Luis Obispo in 1985.

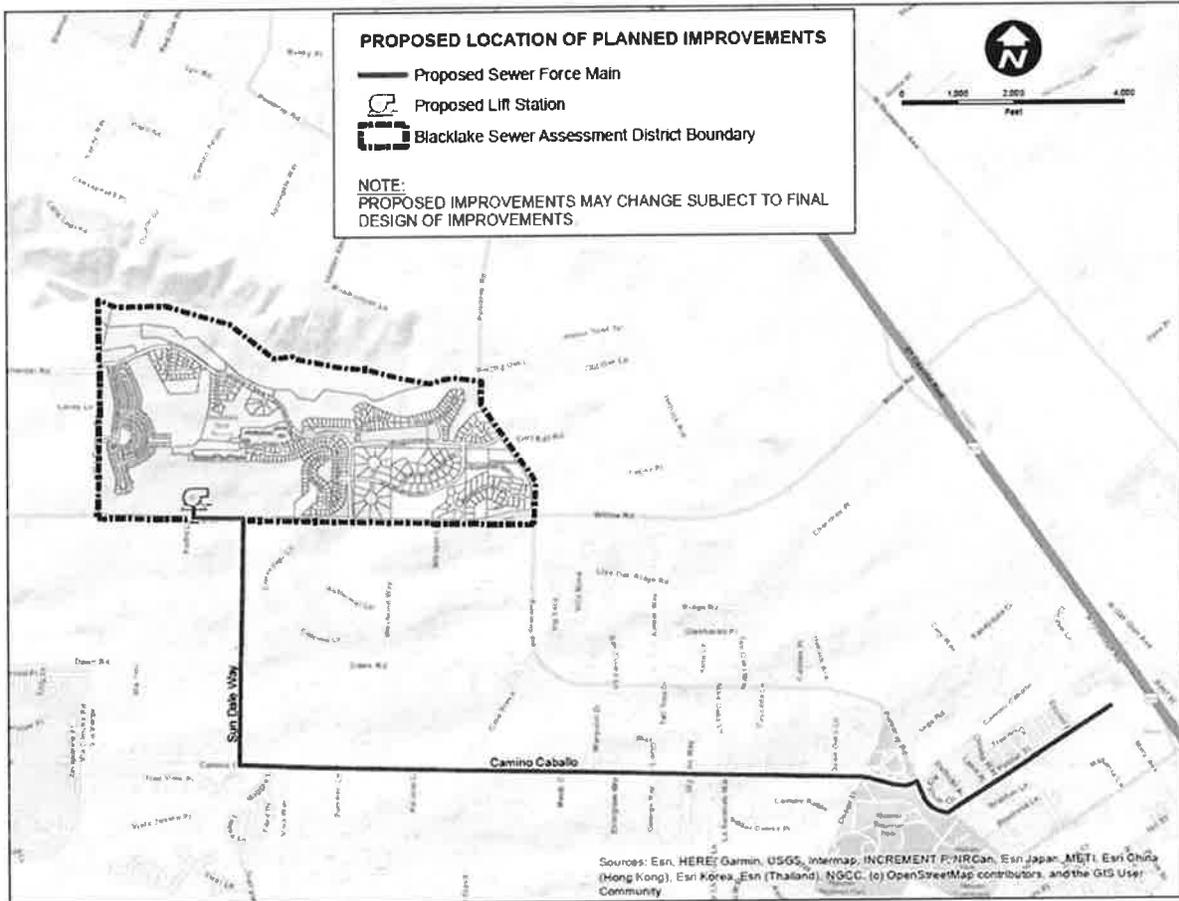
*Peter V. Sevcik, Director of Engineering and Operations.* Peter V. Sevcik, P.E., is the Director of Engineering and Operations and has served in this capacity since September 2007. Mr. Sevcik joined the District with approximately 20 years of experience in wastewater and water including project management, construction management, design, planning and operations & maintenance, most recently serving as the Director of Engineering and Operations for the West Valley Sanitation District in Campbell, California. Mr. Sevcik is responsible for overseeing the planning, design and construction of the District's capital improvement projects. Mr. Sevcik has a Bachelor's degree in Civil Engineering from the University of Illinois, Urbana, Illinois, and a Master's degree in Public Administration from Nova Southeastern University, Fort Lauderdale, Florida.

For certain information regarding the general area of the District and the County, see "APPENDIX D — COUNTY OF SAN LUIS OBISPO DEMOGRAPHIC AND ECONOMIC INFORMATION."

# BOUNDARY MAP OF NIPOMO COMMUNITY SERVICES DISTRICT



**MAP OF ASSESSMENT DISTRICT  
AND  
LOCATION OF IMPROVEMENTS**



**THE ASSESSMENT DISTRICT**

**Description of the Assessment District**

The Assessment District covers the 515-acre area of the Blacklake Specific Plan approved by the County on February 28, 1983 and subsequently amended throughout the years through and including May 1998. The Assessment District lies west of Highway 101 and northerly of the unincorporated town of Nipomo. It is approximately midway between the cities of Arroyo Grande and Santa Maria. The Blacklake Specific Plan Area is centrally located on the Nipomo Mesa, a landform generally defined by U.S. Highway 101 on the east, the bluffs overlooking the Santa Maria River and Santa Maria Valley to the south, the bluffs overlooking the Oceana agricultural areas to the northwest and Los Berros Valley to the north. The Blacklake Specific Plan Area is bounded by Willow Road on the south, Pomeroy Road on the east, Black Lake Canyon on the north and Via Concha on the west.

Initial development included a 18-hole golf course, along with two existing residences. The Blacklake Sewer System was constructed as part of the Blacklake development in 1984 to process raw wastewater produced by the development and provide for the disposal of the treated effluent on the golf course. In 1992, the Blacklake Specific Plan area was annexed into the District, whereby the District's sewer enterprise consisted of two systems: the Blacklake Sewer System serving only the Blacklake Specific Plan area and the Town Sewer System serving the remainder of the District. The existing Blacklake gravity sewer collection system consists of seven miles of gravity pipeline, three lift stations and force main. All flow is conveyed to the Blacklake Water Reclamation Facility. The Town Sewer System consists of approximately thirty miles of gravity sewer, ten lift stations and four miles of force main. All flow from the Town Sewer System is conveyed to the Southland Wastewater Treatment Facility, which was rebuilt in 2015.

Nine holes were added to the golf course in the 1990s. In addition to enlargement of the golf course, recreation facilities including a clubhouse, restaurant and bar, tennis courts, maintenance buildings, a pro-shop, public parking, golf cart storage facility and a small grocery market were added. The 193-acre 27-hole Blacklake Golf Resort is comprised of three distinct nine-hole layouts, the Canyons Course, the Oaks Course and the Lakes Course.

Over 550 residential units were constructed in the Assessment District from 1985 to 2000. Approximately 221 acres (43% of the specific plan area) is now residential use, consisting of the Blacklake Village. The Blacklake Village consists of seven individual developments, each with their own homeowner's association, including Crown Pointe, The Estates, The Fairways, The Legends (55+), The Oaks, Tourney Hills, and Villagio, along with a master homeowner's association, Black Lake Management Association ("BLMA") which owns one parcel and operates the Community Room for Blacklake Village. BLMA represents that the Blacklake Village is mostly made up of retired senior citizens, many of whom have lived there for 20-years or more. Resident activities include golfing (including clubs for men & women), the Nipomo Newcomers Club, plentiful walking, a membership swim club, tennis, a bridge game group, a ladies Bible study, exercise classes, an art group, a bocce ball court, a community room for meetings and activities where there is a free lending library.





Since annexation, the sewer rates for the residents served by the Blacklake Sewer System have exceeded the rates for customers served by the Town Sewer System. The Blacklake Water Reclamation Facility is 35 years old leading to higher maintenance costs. The Southland Wastewater Treatment Facility within the Town Sewer System, being rebuilt in 2015 with costs spread over 3,000 parcels, results in lower maintenance costs and higher efficiencies. Currently, the estimated annual sewer cost for a single family residence served by the Blacklake Sewer System is \$1,382 compared to \$624 for a single family residence served by the Town Sewer System.

In an effort to reduce overall sewer costs for the Blacklake community, in fall 2019, the District looked at consolidating the two systems by decommissioning the existing Blacklake Water Reclamation Facility and conveying wastewater from the Blacklake community to the Southland Wastewater Treatment Facility, resulting in a new lift station and force main connecting the Blacklake Sewer System to the Town Sewer System. The District hired MKN & Associates, Inc. ("MKN") to refine the project description, cost opinion, and implementation schedule for the project. In October 2019, MKN presented its Blacklake Sewer System Consolidation Study (the "Study") to the Board which referenced the Improvements, including the estimated costs and construction schedule, as described herein.

The BLMA unanimously voted in favor of initiating the proceedings to create an assessment district to fund certain public capital facilities to the District's sewer system for the purpose of combining the Town and Blacklake Sewer Systems. Following consolidation, the expected costs for sewer for residents of the Assessment District (consisting of Town Sewer rates plus the Assessment Installment) is expected to be less than the District's projected future rates of the Blacklake Sewer System absent a consolidation.

The property within the Assessment District consists of 555 residential parcels and 4 commercial/other parcels for a total of 559 parcels (487 single family detached residential, 68 condominium residential, 1 homeowner association parcel, 2 parcels owned by the Blacklake Golf Resort, LLC, and 1 other commercial parcel (in use as a restaurant/market named "Willow").

Blacklake Golf Resort, LLC is the property owner with the largest assessment at \$114,479, or almost 1% of the total assessment lien. Blacklake Golf Resort, LLC is a California limited liability corporation with one member, Rossi Living Trust. Mr. Robin (Rob) Rossi is a long-standing member of the community, having been a resident of the County since 1970 and is involved in numerous properties, businesses and investments. Mr. Rossi, a California licensed architect, has a variety of business interests, including recreational, residential and agriculture real estate, with involvement in two (2) hotels, two (2) golf resorts and two (3) wineries. He is also a founder of two (2) local banks, Mission Community Bank and Ojai Community Bank, each acquired 10 years ago. The other commercial parcel, Willows, is owned by Smith Livestock LLC, associated with Vernon Smith and Sun Coast Farms, LLC, a Santa Maria produce grower, shipper, and processor.

Originally, there were 559 assessed parcels with Assessments totaling \$13,210,000. During the cash prepayment period, 46 parcels fully prepaid their Assessments. There remains \$12,131,632.58 of unpaid Assessments secured against the remaining parcels within the Assessment District.

The aggregate assessed value of parcels in the Assessment District with unpaid Assessments was \$250,101,772 for Fiscal Year 2019-20.

### **Description of Improvements**

The Assessment District was formed to provide financing for the design, acquisition and construction of certain public capital improvements needed to combine the Town and the Blacklake Sewer Systems owned and managed by the District. Costs of the Improvements are estimated to be \$12,336,823. See Table 2 and "ESTIMATED SOURCES AND USES OF FUNDS." Any surplus monies on deposit in the Improvement Fund may be used to redeem Bonds. See "THE BONDS—Redemption of Bonds."

The Improvements include, but are not limited to the acquisition and installation of a lift station, and related improvements, decommissioning of water reclamation facility, and acquisition and installation of force main pipeline, all for the purpose of combining the Blacklake and Town Sewer Systems, and all related permits, fees, bonds, construction management, and construction engineering (e.g. soils, survey, archeological), and incidental and administrative costs associated therewith. The proposed improvements include the following:

- New 160 gallons per minute (gpm) Blacklake Lift Station at Blacklake Water Reclamation Facility Site with 5 foot diameter, 11 foot-deep wetwell, valve vault, backup generator, fencing, access road, pavement, and appurtenances;
- Decommissioning and demolition of existing Blacklake Water Reclamation Facility;
- Approximately 21,930 linear feet of new 6-inch AWWAC900 force main with pressure cleanouts, combination air/vacuum valves, and appurtenances, including 890 linear feet along Willow Road, 4,450 linear feet along Sundale Road, 12,200 linear feet along Camino Caballo, 850 linear feet along Pomeroy Road, and 3,550 linear feet along Juniper Street;
- Repair of existing sewer pump stations and collection system within Blacklake sewer service area.

Design for the Improvements is expected to formally begin in September 2020 with bidding of the construction contract expected by January 2022. Award of the bid is anticipated by May 2022 and commencement of construction of the Improvements is estimated by July 2022. The Improvements consisting of the force main pipe and lift station are expected to be completed by March 2024. Repairs to the existing Blacklake pump station and collection system are anticipated to be conducted thereafter from remaining Bond proceeds, the District's contribution and other available funds, and are expected to be completed in 2026.

The District is contributing \$1 million toward the cost of the Improvements. The budget for the Improvement includes a contingency of 30% of the estimated construction costs. Additionally, the District has identified \$200,000 annually in capital fees from Blacklake sewer rates that will be reserved should costs exceed the estimated budget. The District has declared its intent that any new development within or outside of the Assessment District that connects to and benefits from the Improvements will be charged an in lieu fee which will be used for the benefit of the Assessment District, including the early redemption of the Bonds. See "THE BONDS – Redemption of Bonds - *Optional Redemption of Bonds from Surplus Funds*" and "RISK FACTORS - Potential Early Redemption of Bonds from Prepayments or Other Sources" for a discussion of potential early redemption of a portion of Bonds should actual Project costs be lower than budgeted.

The following table shows a summary of the District Improvement Project Cost Estimate as contained in the Final Engineer's Report prepared by the Assessment Engineer, a copy of which is attached hereto as Appendix B.

*[Remainder of page intentionally left blank]*

**TABLE 2**

**NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)  
ENGINEER'S ESTIMATE OF COSTS AND EXPENSES**

	<u>Preliminary</u>
<b>Construction Costs</b>	
<b>Repairs</b>	
Woodgreen LS	\$ 683,000
The Oaks LS	102,500
Misty Glen LS	97,800
Golf Course Trunk Main RPL	560,000
Tourney Hill Main RPL	319,000
Oakmont Sewer Main RPL	196,200
Augusta Sewer Main RPL	61,442
Repair Offset Joints	30,141
<b>Pipe and Lift Station</b>	
Blacklake Lift Station	526,500
Force Main	4,489,000
WRF Demolition	<u>796,000</u>
<b>Total Construction Costs:</b>	<b>\$ 7,861,583</b>
<b>Design, Engineering, and Incidentals</b>	
<b>Pipe and Lift Station</b>	
Escalation to Mid Point	\$ 871,800
Permitting	116,240
Engineering/Design/Constr. Mgmt./Inspection (30% of construction costs)	1,743,600
Contingency (30% of construction costs)	<u>1,743,600</u>
<b>Total Design, Engineering, and Incidental Costs:</b>	<b>\$ 4,475,240</b>
<b>District Planning and Formation Costs<sup>(1)</sup></b>	<b>\$ 286,577</b>
<b>Financing Costs and Reserves<sup>(2)</sup></b>	<b><u>\$ 1,586,600</u></b>
<b>TOTAL ESTIMATED COSTS</b>	<b>\$14,210,000</b>
<b>District Contribution</b>	(\$ 1,000,000)
<b>TOTAL ASSESSMENT:<sup>(3)</sup></b>	<b><u><u>\$13,210,000</u></u></b>

(1) Includes costs for assessment engineering, administration, consultants and legal fees.

(2) Includes Bond Reserve, Underwriter's Discount and Capitalized Interest.

(3) Amount shown does not include savings due to payments received during cash collection period.

Source: Assessment Engineer's Report.

## **Formation Proceedings**

The Board of Directors has taken proceedings under the 1913 Act for the formation of the Assessment District and has confirmed the Assessments, which Assessments and a related diagram were recorded in the office of the Superintendent of Streets, and with the County Recorder of the County. A notice of assessment, as prescribed in Section 3114 of the Streets and Highways Code, was recorded with the County Recorder of the County, whereupon the Assessments attached as a lien upon the property assessed within the Assessment District as provided in Section 3115 of the Streets and Highways Code. On May 13, 2020 the Board of Directors conducted a duly noticed public hearing regarding the formation of the Assessment District. As of the close of the public hearing, there was no majority protest with over 75% of returned ballots approving the formation of the Assessment District. Property owners were then given an opportunity to prepay their assessments in cash or to pay them in annual installments following the issuance of the Bonds. At the end of the cash collection period, a list of unpaid assessments was filed with the Treasurer of the District, acting as treasurer pursuant to Section 8620 of the 1915 Act totaling \$12,131,633.

## **Allocation of Assessments**

The Assessment District was formed under the authority of the Act and Article XIII D of the California State Constitution, together with its implementing legislation (collectively "Proposition 218"), which require that local agencies levy assessments according to the special benefit and prescribe the procedures for such levy. Costs and expenses of the proposed Improvements must be apportioned against the parcels in the Assessment District by a formula which proportionally and equitably distributes the costs in direct proportion to the estimated special benefits these parcels receive from the Improvements. Neither the Act or Proposition 218 specifies the method that is used to apportion the benefits.

In the Engineer's Report, the engineer identified the benefits the proposed Improvements will render to the properties within the Assessment District and determined that the property owners will receive a unique and special benefit distinguished from general benefits to the area at large. The unique and special benefit from the Improvements identified in the Engineer's Report is the availability of a sanitary sewer system. The Improvements will be available to serve all properties within the Assessment District boundaries and will be available to such properties within the Assessment District. There are three distinct factors that contribute to the proportional special benefit conferred on each property within the Assessment District: bio-chemical oxygen demand, suspended solids, and capacity. Each distinct benefit factor received equal weight relative to the other benefit factors when calculating the Assessment. See APPENDIX B - "ENGINEER'S REPORT" herein for a description of the method of apportionment of the assessments.

The properties within the Assessment District consist of 555 residential parcels and 4 commercial/other parcels. Residential parcels place the same estimated level of demand on the sewer system once connected and therefore receive the same benefit from the ability to connect to the system. Each residential parcel was assigned an equivalent benefit unit (EBU) of 1. Assessments before prepayments are \$23,442.77 for each of the 555 residential parcels, \$23,442.77 for the homeowner association parcel, \$61,341.91 for the one commercial parcel in use as a restaurant/market, and \$114,479 for the two golf course parcels, based on the special benefit each property will receive from the Improvements as set forth in the Engineer's Report and confirmed by the Board of Directors.

The District is contributing \$1 million toward the cost of the Improvements. Additionally, the District has identified \$200,000 annually in capital fees from Blacklake sewer rates that will be reserved should costs exceed the estimated budget. The District has declared its intent that any new development within or outside of the Assessment District that connects to and benefits from the Improvements will be

charged an in lieu fee which will be used for the benefit of the Assessment District, including the early redemption of the Bonds. Other than development on or near the golf course parcels, it is unlikely that new development within the Assessment District will occur. The area adjacent to the Assessment District is currently subject to a Memorandum of Understanding with the County that it will remain on a septic system. See “THE BONDS – Redemption of Bonds - Optional Redemption of Bonds from Surplus Funds” and “RISK FACTORS - Potential Early Redemption of Bonds from Prepayments or Other Sources.”

**Maximum Annual Assessment for Administrative Costs and Expenses**

The costs associated with administering the Assessment District will be spread to each parcel in the Assessment District with unpaid Assessments on a pro-rata basis. Administrative costs for the Assessment District cannot exceed a total of \$30 plus any fee charged pursuant to Section 8682 and 8682.1 of the Streets and Highways Code per parcel per year. Costs of administering the Assessment District will first be paid in Fiscal Year 2022-23.

**Value-to-Assessment Lien Ratios**

The value of the land within the Assessment District with unpaid Assessments is significant because in the event of a delinquency in the payment of Assessment Installments, the Assessment District may foreclose only against delinquent parcels. The assessed value of the property within the Assessment District with unpaid Assessments was \$250,101,772 for fiscal year 2019-20. As a result of Proposition 13, assessed values generally increase by no more than two percent annually. See “BONDOWNERS’ RISKS – Property Values.” Based on fiscal year 2019-20 assessed values and the unpaid Assessments, the parcels within the Assessment District with unpaid Assessments have an aggregated assessed value-to-assessment lien ratio of 20.62 to 1 (not including any overlapping debt of other taxing entities with respect to such properties). Table 3 below categorizes the parcels with unpaid Assessments within the Assessment District by value-to-lien range. For purposes of calculating the value-to-lien range, “Overlapping Debt” as set forth in the table is not included.

*[Remainder of page intentionally left blank]*

**TABLE 3**

**NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)  
VALUE-TO-ASSESSMENT LIEN RATIOS**

*Fiscal Year 2019-20 Assessed Value(1)*

<i>Value to Lien Ratio<sup>(2)</sup></i>	<i>Number of Parcels</i>	<i>Land</i>	<i>Structure</i>	<i>Total</i>	<i>Assessment Lien<sup>(3)</sup></i>	<i>Percent of Lien<sup>(5)</sup></i>	<i>Overlapping Debt<sup>(4)</sup></i>
40.00:1 to 49.99:1	1	\$ 985,000	\$ 120,000	\$ 1,105,000	\$ 23,443	0.19%	\$ 11,109
30.00:1 to 39.99:1	35	11,990,726	15,884,102	27,874,828	820,497	6.76%	280,224
20.00:1 to 29.99:1	234	62,133,346	70,176,545	132,309,891	5,485,608	45.22%	1,330,105
10.00:1 to 19.99:1	230	40,444,282	46,215,056	86,659,338	5,497,330	45.31%	871,182
5.00:1 to 9.99:1	12	909,695	1,243,020	2,152,715	281,313	2.32%	21,641
Less than 5.00:1 <sup>(6)</sup>	1	0	0	0	23,443	0.19%	0
<b>Totals<sup>(7)</sup></b>	513	\$116,463,049	\$133,638,723	\$250,101,772	\$12,131,633	100.00%	\$2,514,261

- (1) Assessed Value and Ownership as reported on August 11, 2019 with lien date of January 1, 2019 as provided by the County of San Luis Obispo Assessor. Total includes Assessed Land and Assessed Structure values.
- (2) Overlapping debt is not included calculation. Certain parcels have low value-to-lien ratios generally because they have been owned by the same owners for extended periods and the assessed values have generally increased by no more than two percent annually since 1978. See "BONDOWNERS' RISKS – Property Values."
- (3) Represents the unpaid Assessment Lien.
- (4) Overlapping Debt provided by California Municipal Statistics, Inc.
- (5) Represents percentage of total unpaid Assessment Lien within value-to-lien ratio categories.
- (6) The parcel in this category is APN #091-440-014 which is the HOA Community Room and has no Assessed Value. The estimated Zillow value for this parcel is \$673,607 which yields a value to lien ratio of 28.73:1.
- (7) Totals may not tie due to rounding.

Source: San Luis Obispo County Assessor, compiled by Willdan Financial Services

Table 4 below categorizes the parcels with unpaid Assessments within the Assessment District by land use.

**TABLE 4**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)**  
**VALUE-TO-LIEN BY LAND USE**

<i>Land Use Category</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2019-20 Assessed Value<sup>(1)</sup></i>						<i>Total Overlapping Debt and Assessment Lien</i>	
		<i>Land</i>	<i>Structure</i>	<i>Total</i>	<i>Assessment Lien</i>	<i>Value to Lien<sup>(3)</sup></i>	<i>Percentage of Lien<sup>(4)</sup></i>	<i>Overlapping Debt<sup>(2)</sup></i>	<i>Assessment Lien</i>
Single Family Residential	448	\$104,450,183	\$121,549,952	\$226,000,135	\$10,502,361	21.52	86.57%	\$2,271,968	\$12,774,329
Condominium	61	10,366,768	10,717,277	21,084,045	1,430,009	14.74	11.79%	211,957	1,641,966
Commercial	3	1,646,098	1,371,494	3,017,592	175,821	17.16	1.45%	30,336	206,156
Common Area <sup>(5)</sup>	1	0	0	0	23,443	0.00	0.19%	0	23,443
<b>Totals<sup>(6)</sup></b>	<b>513</b>	<b>\$133,638,723</b>	<b>\$250,101,772</b>	<b>\$12,131,633</b>	<b>\$2,514,261</b>	<b>20.62</b>	<b>100.00%</b>	<b>\$2,514,261</b>	<b>\$14,645,894</b>
Prepaid	46	\$9,698,735	\$11,814,179	\$21,512,914	\$1,078,367	19.95		\$216,268	\$1,294,636

(1) Assessed Value and Ownership reported on August 11, 2019 with lien date of January 1, 2019 as provided by the County of San Luis Obispo Assessor. Total includes Assessed Land and Assessed Structure values.

(2) Overlapping Debt provided by California Municipal Statistics, Inc.

(3) Total Assessed Value divided by the Assessment Lien. Overlapping debt not included in calculation.

(4) Represents percentage of total Assessment Lien within land use categories.

(5) The parcel in this category is APN #091-440-014 which is the HOA Community Room and has no Assessed Value. The estimated Zillow value for this parcel is \$673,607 which yields a value to lien of 28.73.

(6) Totals may not tie due to rounding.

Source: San Luis Obispo County Assessor, compiled by Willdan Financial Services.

**Property Owners with Largest Assessments**

No single property owner within the Assessment District is responsible for more than 0.91% of the total unpaid Assessments and no owner owns more than three parcels within the Assessment District. Table 5 below sets forth the largest property owners within the Assessment District by share of unpaid Assessments. For purposes of calculating the value-to-lien range, “Overlapping Debt” is not included.

**TABLE 5**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)**  
**LARGEST PROPERTY OWNERS**

<i>Property Owner</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2019-20 Assessed Value<sup>(1)</sup></i>			<i>Assessment Lien</i>	<i>% of Lien</i>	<i>Value to Lien<sup>(2)</sup></i>
		<i>Land</i>	<i>Structure</i>	<i>Total</i>			
Blacklake Golf Resort LLC	2	\$1,100,000	\$1,090,000	\$2,190,000	\$114,479	0.94%	19.13
Bruce T Scott, Trustee, et al	3	815,034	979,753	1,794,787	70,328	0.58	25.52
Arthur R Espinoza, Trustee, et al	3	500,295	625,910	1,126,205	70,328	0.58	16.01
Smith Livestock LLC	1	546,098	281,494	827,592	61,342	0.51	13.49
Peggy J Shurtleff, Trustee	2	364,388	415,258	779,646	46,886	0.39	16.63
Janie R Parrish, Trustee	2	318,466	462,516	780,982	46,886	0.39	16.66
Laurie A Ziffrin, Trustee, et al	2	461,606	514,994	976,600	46,886	0.39	20.83
Vard A Roemer, Trustee	2	549,995	470,383	1,020,378	46,886	0.39	21.76
Russell K Hume, Trustee, et al	2	256,439	443,308	699,747	46,886	0.39	14.92
Verner J Isola, Trustee, et al	2	481,390	585,581	1,066,971	46,886	0.39	22.76
Robert C & Roxanne N Barkley	2	479,400	649,168	1,128,568	46,886	0.39	24.07
Ann V Cameron-Clarke, Trustee, et al	2	626,704	567,156	1,193,860	46,886	0.39	25.46
<b>Totals<sup>(3)</sup></b>	<b>25</b>	<b>\$6,499,815</b>	<b>\$7,085,521</b>	<b>\$13,585,336</b>	<b>\$691,562</b>	<b>5.70%</b>	<b>19.64</b>

(1) Assessed Value and Ownership as of August 11, 2019 as provided by the County of San Luis Obispo Assessor with a January 1, 2019 lien date. Total includes Assessed Land and Assessed Structure values.

(2) Overlapping debt not included in calculation of Value to Lien.

(3) Totals may not tie due to rounding.

Source: San Luis Obispo County Assessor, compiled by Willdan Financial Services.

## Historical Assessed Values

The following table summarizes the historical and current assessed values of all of the parcels in the Assessment District (including properties which prepaid Assessments and those with unpaid Assessments) over the past ten Fiscal Years.

**TABLE 6**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)**  
**HISTORIC ASSESSED VALUE**

<i>Fiscal Year</i>	<i>Aggregate Assessed Value</i>	<i>Increase/(Decrease) in Property Assessed Value</i>
2010-11	\$217,204,696	NA
2011-12	210,464,009	(3.10)%
2012-13	205,570,756	(2.32)
2013-14	215,455,870	4.81
2014-15	224,501,100	4.20
2015-16	234,434,992	4.42
2016-17	245,338,555	4.65
2017-18	254,400,586	3.69
2018-19	265,535,575	4.38
2019-20	271,614,686	2.29

*Sources: San Luis Obispo County Assessor's office as compiled by Willdan Financial Services.*

## Direct and Overlapping Indebtedness

The ability of an owner of land within the Assessment District to pay the Assessment Installments could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments securing the repayment of overlapping debt in the Assessment District are set forth in Table 7 (the "Debt Report"). The Debt Report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or special taxes. The Debt Report does not include the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the District by California Municipal Statistics, Inc. as of June 1, 2020. The Debt Report includes information for all parcels with unpaid Assessments. Neither the District nor the Underwriter has independently verified the information in the Debt Report and neither guarantees its completeness or accuracy.

**TABLE 7**

**NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)**

**DIRECT AND OVERLAPPING ASSESSMENT INDEBTEDNESS**

<u>2019-20 Assessed Valuation:</u>	\$271,614,686	(Land and Improvements)
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/20</u>
San Luis Obispo Community College District General Obligation Bonds	0.465%	\$ 551,500
Lucia Mar Unified School District General Obligation Bonds	1.726%	<u>1,485,188</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,036,688
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Luis Obispo County Certificates of Participation	0.473%	\$ 199,170
San Luis Obispo County Pension Obligation Bonds	0.473%	175,056
Lucia Mar Unified School District Certificates of Participation	1.726%	<u>319,615</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$693,841
<b>COMBINED TOTAL OVERLAPPING DEBT</b>		<b>\$2,730,529</b>
<u>DIRECT TAX AND ASSESSMENT DEBT:</u>		
Nipomo Community Services District Assessment District No. 2020-1	100.00%	<u>\$12,131,633</u>
TOTAL DIRECT TAX AND ASSESSMENT DEBT		\$12,131,633
<b>COMBINED TOTAL DIRECT AND OVERLAPPING DEBT <sup>(1)</sup></b>		<b>\$14,862,162</b>

<sup>(1)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

<u>Ratios to 2019-20 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt	0.75%	
Combined Total Overlapping Debt	1.01%	
Direct Tax and Assessment Debt	4.47%	
Combined Total Direct and Overlapping Debt	5.47%	

Source: California Municipal Statistics, Inc.

## Sample Effective Tax Rates

Table 8 below sets forth an example of a typical property tax bill each for a single family residential unit and condominium unit in the District representing a sample of tax rates therein. The actual tax rate for any particular parcel may vary from the tax rates shown in Table 8. The tax rates and amounts presented herein are based on information for Fiscal Year 2019-20. The actual amounts charged may vary and may increase in future years.

**TABLE 8**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)**  
**FISCAL YEAR 2020-21 SAMPLE TAX BILL**

<u>Assessed Valuations and Property Taxes</u>	APN 091-243-039 <sup>(1)</sup>	APN 091-445-019 <sup>(2)</sup>	APN 091-415-007 <sup>(3)</sup>	APN 091-416-021 <sup>(4)</sup>
Total Estimated Secured Assessed Value <sup>(5)</sup>	\$941,715	\$141,189	\$478,380	\$179,165
Homeowner's Exemption	(7,000)	(7,000)	0	0
<b>Net Assessed Value<sup>(6)</sup></b>	<b>\$934,715</b>	<b>\$134,189</b>	<b>\$478,380</b>	<b>\$179,165</b>
<u>Ad Valorem Property Taxes<sup>(7)</sup></u>	<u>Rate</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Prop 13 Tax Rate	1.000000%	\$9,347.15	\$1,341.89	\$4,783.80
State Water Proj	0.004000%	37.39	5.37	19.14
Lucia Mar 97 Go Bond	0.016340%	152.73	21.93	78.17
Lucia Mar 2004 Go Bond	0.015000%	140.21	20.13	71.76
Lucia Mar 2016 Bond	0.041000%	383.23	55.02	196.14
Cuesta CCD 2014 Bond	0.019250%	179.93	25.83	92.09
<b>Total Ad Valorem Property Taxes</b>		<b>\$10,240.64</b>	<b>\$1,470.17</b>	<b>\$5,241.08</b>
Nip CSD Blk Lk Lgt		\$52.00	\$52.00	\$52.00
<i>Nipomo CSD AD No. 2020-1<sup>(8)</sup></i>		1,450.00	1,450.00	1,450.00
<b>Total Special Assessment Charges<sup>(9)</sup></b>		<b>\$1,502.00</b>	<b>\$1,502.00</b>	<b>\$1,502.00</b>
<b>Total Property Taxes &amp; Assmt Charges</b>		<b>\$11,742.64</b>	<b>\$2,972.17</b>	<b>\$6,743.08</b>
Tax rate as % of secured assessed value		1.256%	2.215%	1.410%

(1) Sample Parcel for a Single Family Residential Property with high assessed value.

(2) Sample Parcel for a Single Family Residential Property with low assessed value.

(3) Sample Parcel for a Condominium Property with high assessed value.

(4) Sample Parcel for a Condominium Property with low assessed value.

(5) Secured Assessed Value estimated at the maximum of 2% increase over Fiscal Year 2019-20 in accordance with Proposition 13.

(6) Net secured assessed value reflects total assessed value for the parcel net of homeowner's exemption. Not all residences applied or qualified for the exemption.

(7) (9) Fiscal Year 2019-2020 rates have been used to estimate Fiscal Year 2020-2021 tax burden

(8) Represents the maximum annual debt service plus estimated administration costs per benefit unit.

Source: San Luis Obispo County Tax Collector, as compiled by Willdan Financial Services.

**Delinquency History**

Historically, the parcels within the Assessment District have had a low property tax delinquency rate. Table 9 below summarizes the ten year delinquency history of all parcels within the Assessment District as of June 30, 2020 based on the annual property tax levy. Of the parcels with unpaid Assessments within the Assessment District, 14 are delinquent in the payment of property taxes as of May 5, 2020. The public agencies who participate in the County’s Teeter Plan, like the District, receive 100% of their levied taxes and assessments despite any delinquencies. See “SECURITY FOR THE BONDS - Tax Loss Reserve Fund – Teeter Plan and “BONDOWNERS’ RISKS – COVID-19 Pandemic.”

**TABLE 9**  
**NIPOMO COMMUNITY SERVICES DISTRICT**  
**ASSESSMENT DISTRICT NO. 2020-1 (BLACKLAKE SEWER CONSOLIDATION)**  
**PROPERTY TAX DELINQUENCY HISTORY**

<i>Fiscal Year</i>	<i>Number of Parcels</i>	<i>As of June 30 of each Year<sup>(1)</sup></i>		<i>As of May 5, 2020<sup>(2)</sup></i>	
		<i>Parcels Delinquent</i>	<i>% of Parcels Delinquent</i>	<i>Parcels Delinquent</i>	<i>% of Parcels Delinquent</i>
2010-11	559	18	3.22%	0	0.00%
2011-12	559	16	2.86	0	0.00
2012-13	559	9	1.61	0	0.00
2013-14	559	5	0.89	0	0.00
2014-15	559	6	1.07	0	0.00
2015-16	559	17	3.04	0	0.00
2016-17	559	9	1.61	0	0.00
2017-18	559	16	2.86	0	0.00
2018-19	559	3	0.54	1	0.18
2019-20	559	14	2.50	14	2.50

(1) Delinquencies as of June 30th of each Fiscal Year.

(2) Delinquencies as of May 5, 2020.

Source: Willdan Financial Services.

**BONDOWNERS’ RISKS**

**General**

In order to pay debt service on the Bonds, it is necessary that unpaid Assessment Installments on parcels within the District are paid in a timely manner. The Reserve Fund will be used to pay debt service on the Bonds if delinquent Assessment Installments should occur. The Assessments are a lien on the parcels of land and the District has covenanted to institute foreclosure proceedings under certain circumstances against parcels with delinquent Assessment Installments.

Failure by owners of the parcels to pay Assessment Installments when due, depletion of the Reserve Fund or the inability of the District to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Assessment Installments for such parcels may result in the inability of the District to make full or punctual payments of debt service on the Bonds, and Bondowners would therefore be adversely affected.

The 1915 Act provides that except under certain circumstances property is to be sold upon foreclosure at a Minimum Price. "Minimum Price" as defined in the 1915 Act is the amount equal to the delinquent installments of principal or interest of the assessment or assessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the 1915 Act. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an ultimate loss to the Bondowners or, under certain circumstances, if owners of 75% or more of the outstanding Bonds consent to such sale. There can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Fund and a delay in payments of debt service on the Bonds. See "SECURITY FOR THE BONDS—Covenant to Foreclose and Court Foreclosure Proceedings."

Unpaid Assessment Installments do not constitute a personal indebtedness of the owners of the parcels within the Assessment District. There is no assurance the owners will be able to pay the Assessment Installments or that they will pay such installments even though financially able to do so.

### **Risks of Real Estate Secured Investments Generally**

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Assessment District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; changes in real estate tax rates and other operating expenses, governmental rules and fiscal policies; and natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses.

No assurance can be given that the individual homeowners will pay Assessments in the future or that they will be able to pay such Assessments on a timely basis. See "—Bankruptcy and Foreclosure" below, for a discussion of certain limitations on the District's ability to pursue judicial proceedings with respect to delinquent parcels.

### **Limited Obligations**

The Bonds and related interest are not payable from the general funds of the District. Except with respect to the Assessments, the credit and the taxing power of the District is not pledged for the payment of principal or interest of the Bonds, and, except as provided in the Fiscal Agent Agreement, no Owner of the Bonds may compel the exercise of any taxing power by the District or force the forfeiture of any District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the District or a legal or equitable pledge, charge, lien or encumbrance upon any of the District's property or upon any of the District's income, receipts or revenues, except the Assessments and other amounts pledged under the Fiscal Agent Agreement.

### **Delinquency Resulting in Ultimate or Temporary Loss on Bonds**

If a temporary deficiency occurs in the Redemption Fund with which to pay the principal of or interest on Bonds that have then matured, or the principal and interest on Bonds coming due during the current year, unless it appears to the Treasurer that there will be an ultimate loss to the Bondowners, the Treasurer shall cause the Fiscal Agent to pay the principal of Bonds which have matured as presented and make interest payments on the Bonds when due, as long as there are available funds in the Redemption Fund, in the order of priority and as required by the Fiscal Agent Agreement. If it appears to the Treasurer that there is a danger of an ultimate loss accruing to the Bondowners for any reason, the Treasurer is required pursuant to the 1915 Act to withhold payment on all matured Bonds and interest on all Bonds

and report the facts to the District so that the District may take proper action to equitably protect all Bondowners. See APPENDIX C—“SUMMARY OF FISCAL AGENT AGREEMENT.”

### **Teeter Plan and Covenant to Foreclose**

The County has adopted a Teeter Plan as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes, assessments and charges on the tax bill are distributed to taxing or levying agencies within the County on the basis of the levy, rather than on the basis of actual collections. The Assessment Installments are anticipated to be included in the County’s Teeter Plan but there can be no assurance that the County will include the Assessment Installments in the Teeter Plan in Fiscal Year 2022-23, continue the Teeter Plan or that the Assessment Installments will continue to be included within the Teeter Plan.

In the event of a delinquency in the payment of any Assessment Installment, the District is authorized by the Act to order institution of an action in the Superior Court of the State to foreclose any lien therefor. In such action the real property subject to the Assessment Installment may be sold at a judicial foreclosure sale. So long as the District is a participant in the County’s Teeter Plan and is paid under the Teeter Plan for all Assessment Installments, the proceeds of any foreclosure sale will be paid to the County’s Teeter Plan and not to the District.

Such judicial foreclosure proceedings are not mandatory. However, in the Fiscal Agent Agreement, the District covenants that it will commence foreclosure proceedings October 1 of the Fiscal Year immediately following the Fiscal Year in which delinquency in the payment of an Assessment Installment occurs, except the District need not commence such proceedings with respect to any property other than property owned by a single property owner who is delinquent in excess of \$3,000 in the payment of Assessment Installments if both the aggregate amount of such delinquent Assessment Installments does not exceed five percent (5%) of the Assessment Installments posted to the tax roll for the preceding Fiscal Year and the balance on deposit in the Reserve Fund is not less than the Reserve Requirement. Notwithstanding, as long as the Assessment Installments are the subject of the County’s Teeter Plan and the District is receiving 100% of the Assessment Installments it levies, the District shall not have any obligation to commence judicial foreclosure proceedings. Upon the redemption or sale of the real property responsible for such delinquencies, the District will deposit in the Assessment Fund the net proceeds of such redemption or sale.

The ability of the District to foreclose the lien of delinquent Assessment Installments may be limited in certain instances and may require prior consent of the obligee in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure,” and “–FDIC/Federal Government Interests in Parcels.”

If the County’s Teeter Plan is terminated (or if the County fails to make payments to the District when due under the Teeter Plan) and the Reserve Fund is depleted, there could be a default or a delay in payments to the Owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the District of foreclosure sale proceeds, if any.

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period may be shortened to 20 days for parcels other than those on which a dwelling unit for not more than four persons is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought

within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

### **Non-Cash Payments of Assessments**

The 1915 Act may permit the owner of a parcel that is subject to an unpaid Assessment Installment to tender any Bond secured by such Assessment in payment or partial payment of any installment of the Assessment or interest or penalties thereon which may be due or payable. A Bond so tendered is to be accepted at the par amount thereof and credit is to be given for any interest thereon accrued to the date of the tender. Thus, if Bonds can be purchased at a discount, it may be to the advantage of a property owner to pay amounts due with respect to an assessment by tendering a Bond. Such a practice would decrease the cash flow available to the District to make payments with respect to other Bonds then outstanding and could result in a default in payment on the Bonds.

### **Potential Early Redemption of Bonds from Prepayments or Other Sources**

Property owners within the Assessment District are permitted to prepay their Assessments at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such prepayments will result in an extraordinary redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of the prepayment. The resulting extraordinary redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption “THE BONDS— Redemption of Bonds— Mandatory Redemption From Assessment Prepayments.”

Other sources of revenue, including any surplus in the Improvement Fund or in lieu charges credited to the Assessment District, may result in the optional redemption of a portion of the Bonds prior to their maturity pursuant to the Fiscal Agent Agreement.

### **Limited District Obligation Upon Delinquency**

Pursuant to the 1915 Act, the District has elected not to be obligated to advance funds from the treasury of the District for delinquent Assessment Installments. The only obligation of the District with respect to such delinquencies and the consequent deficiencies in the Redemption Fund is to advance money to the Redemption Fund from the Reserve Fund. The District has no obligation to replenish the Reserve Fund except to the extent that delinquent Assessment Installments are paid or proceeds from foreclosure sales are realized. There is no assurance that the balance in the Reserve Fund will always be adequate to pay all delinquent Assessment Installments and if during the period of delinquency there are insufficient funds in the Reserve Fund, a delay may occur in payments to the Bondowners.

### **Disclosures to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Assessments even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Assessments authorization at the time the owner purchased the parcel, was informed of the amount of the Assessments on the parcel and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The District has caused a notice of the Assessment lien to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to

such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Assessments obligation in the purchase of a property within the Assessment District or lending of money thereon.

### **Payment of the Assessments is not a Personal Obligation of the Owners**

An owner of a parcel subject to an Assessment is not personally obligated to pay such Assessment. Rather, the Assessment is an obligation which is secured only by a lien against the parcel. If the value of a parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Assessment, the District has no recourse against the owner.

### **Property Values**

The value of the property within the Assessment District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Assessment Installments, the Assessment District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the delinquent Assessment Installments. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, sea level rise, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the assessments. See "THE ASSESSMENT DISTRICT—Value-to-Assessment Lien ratios" herein.

The development and marketing of land within the Assessment District may be particularly dependent on factors which are unique to Southern California. Between 2007 and 2012, the real estate market in Southern California experienced a significant downturn with taxable values dropping significantly and many homeowners and developers experiencing foreclosure, bankruptcy and other financial strains. In 2013 the real estate market in Southern California began to stabilize and the taxable value of real property in Southern California has been increasing ever since. The District can make no assurance with respect to whether taxable values of real property will decline in the future.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per Fiscal Year. No assurance can be given that a parcel could actually be sold for its assessed value. Additionally, market values within the Assessment District could be impacted by a failure to complete the Improvements in a timely manner.

No assurance can be given that any bid will be received for a parcel with delinquent Assessment Installments offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Assessment Installments. See "SECURITY FOR THE BONDS—Covenant to Foreclose and Court Foreclosure Proceedings."

### **Bankruptcy and Foreclosure**

The payment of Assessments and the ability of the District to foreclose the lien of delinquent unpaid Assessment Installments, as discussed in the section entitled "SECURITY FOR THE BONDS—Covenant to Foreclose and Court Foreclosure Proceedings" herein, may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the law of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to crowded local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Assessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent Assessment Installments not being paid in full. Where property is encumbered by liens securing mortgage loans, it is highly probable that bankruptcy of a property owner would delay foreclosure for an extended period of time. Such a delay would increase the likelihood of a delay or default in payment of the principal and interest on the Bonds.

### **FDIC/Federal Government Interests in Parcels**

The ability of the District to collect interest and penalties specified by the 1915 Act and to foreclose the lien of delinquent Assessment Installments may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the "FDIC") has or obtains an interest. Specifically, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Assessment Installment is not paid, the remedies available to the District may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

If a parcel with unpaid Assessments within the Assessment District is owned by a federal governmental entity, or a private deed of trust secured by a parcel with unpaid Assessments within the Assessment District is owned by a federal governmental entity, the ability to foreclose on the parcel to collect delinquent Assessments may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel with unpaid Assessments within the Assessment District but does not pay taxes and assessments levied on the parcel (including Assessments), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Assessments, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Assessments and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels with unpaid Assessments within the Assessment District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

The District's remedies may also be limited in the case of delinquent Assessment Installments with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a portion of the parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

### **No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the Bonds or the Fiscal Agent Agreement or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. See "—Limitations on Remedies" below.

### **Limitation on Remedies**

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

### **Natural Disasters**

The Assessment District, like many California communities, may be subject to unpredictable seismic activity, fires, flood or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads and property within the Assessment District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the Assessment District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Assessment Installments when due. In addition, the value of land in the Assessment District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Assessment Installments.

None of the properties in the Assessment District are located in a FEMA Special Flood Hazard Area or State Responsibility Area Fire Hazard Zones.

## **Climate Change**

The change in the earth's average atmospheric temperature, generally referred to as "climate change," is, among other things, expected over an extended period of time to increase the frequency and severity of extreme weather events and cause sea level rise. The District cannot predict the timing, extent, or severity of climate change or its effect on the District's operations and finances, or the State and local economies, and there can be no assurances such effects will not be material and adverse with respect to the Assessment District.

## **Cybersecurity**

The District relies on computers and technology to conduct its operations. The District and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. No assurances can be given that the District's security and operational control measures will guard against all cyber threats and attacks. The results of any attack on the District's computer and information-technology systems could adversely affect the District's operations and damage its digital networks and systems, and potential losses from such attacks, as well as the costs of defending against future attacks, could be substantial. In addition, cyberattacks, depending on their nature, could potentially result in delays in collection of the Assessments. The District has experienced no incidents to date.

## **Hazardous Substances**

While government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. The value of a parcel may be reduced as a result of a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Super Fund Act", is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the Assessment District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition because the prospective purchaser of such a parcel will, upon becoming the owner of such parcel, become obligated to remedy the condition just as the seller of such a parcel is.

As part of the Improvements, the District will decommission the Blacklake wastewater treatment plant. In an area within the existing boundaries of the plant, the District will install a new lift station and will retain easements over the parcel to accommodate existing sewer lines as well as to accommodate a new sewer line leading from the new lift station to the County right-of-way on Willow Road. With the decommissioning of the Blacklake wastewater treatment plant, the District will conduct an environmental review of the site to determine that no contamination from wastewater operations has occurred.

## **COVID-19 Pandemic**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "COVID-19 Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the State of California and local governmental agencies within the State, as well as the entire United States. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United

States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

The COVID-19 Pandemic has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools. The United States is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

On March 4, 2020, the Governor of California proclaimed a state of emergency in California as a result of the threat of COVID-19. Under the California Emergency Services Act, during a state of emergency, the Governor has authority over all agencies of the state government and can exercise the State's police powers. His powers also include the power to promulgate, issue, and enforce orders and regulations as he deems necessary.

Since declaring the emergency, the Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include his March 19, 2020 Executive Order N-33-20, which orders all individuals living in the State of California to stay home or at their place of residence except as needed to maintain continuity of operations of certain critical infrastructure sectors, as described in that order and later designations. On March 13, 2020, the County declared a local public health emergency and issued a series of orders, which generally align, among other matters, with the Governor's order. These actions are focused on "social distancing," or limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and impacts enterprise operations and the economy. The shelter in place orders from the State and the County are ongoing and are expected to continue to be enforced until the threat to public health from the COVID-19 pandemic can be adequately managed.

The Governor issued Executive Orders N-29-20 and N-35-20 relaxing state and local agency open meeting laws to accommodate social distancing. The District has held recent meetings of its Board of Directors remotely, unhindered by the COVID-19 Pandemic. The District's employees and consultants have continued to work remotely, leveraging available technology to continue District operations. The District does not expect its business operations to be materially curtailed; however, the District offers no assurances that Board member or employee absences due to COVID-19 illnesses will not materially and adversely impact its operations.

It should be noted that the Assessments are anticipated to be collected on *ad valorem* property tax bills delivered by the County commencing with property tax year 2022-23. The Treasurer-Tax Collector has announced that property owners who have been impacted by COVID-19 Pandemic will be allowed to claim a waiver of penalties and interest, which are imposed by State law if the property tax bill becomes delinquent. The second installment of this year's property tax bills become delinquent if not paid by April 10, 2020. Waiver requests will be approved on a case by case basis. Properties eligible for a penalty waiver are the taxpayer's primary residence or properties associated with a small business, including vacation rentals. Property tax delinquencies may increase as a consequence of economic difficulties of property owners. However, the Assessments are expected to be collected under the County's Teeter Plan. So long as the County maintains its policy of collecting taxes and assessments pursuant to said procedures and the District meets the Teeter Plan requirements, the District will receive 100% of the annual unpaid Assessment Installments levied on the County's secured property tax rolls without regard to actual collections. See "SECURITY FOR THE BONDS—Tax Loss Reserve Fund – Teeter Plan." There is the possibility that the County could end the Teeter Plan with respect to the Assessments in the future, although County staff has indicated that they have no plan to do that.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate adverse impact of COVID-19 on the District and the collection of the Assessments in general is unknown.

### **Loss of Tax Exemption**

As discussed under the caption “CONCLUDING INFORMATION—Tax Matters,” interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Fiscal Agent Agreement. Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption.

### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain statutorily-required financial and operating information along with notice of certain enumerated events, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required annual financial information or enumerated event notices does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Future Debt Issuance**

The ability of an owner of land within the Assessment District to pay the Assessment Installments could be affected by the existence of other taxes and assessments imposed upon parcels in the Assessment District with unpaid Assessments. In addition, the District and other public agencies whose boundaries overlap those of the Assessment District could impose additional taxes or assessment liens on the property within the Assessment District in order to finance public improvements or services to be located or provided inside of or outside of such area. The lien created on the property within the Assessment District through the levy of such additional taxes may be on a parity with the lien of the assessments levied by the District. See “THE ASSESSMENT DISTRICT—Direct and Overlapping Indebtedness” herein.

The imposition of additional liens on a parity with the Assessment Installments may reduce the ability or willingness of the landowners to pay the Assessment Installments and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Assessment Installments.

The District does not have control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the Assessment District. In addition, the landowners within the Assessment District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad*

*valorem* taxes or assessments could reduce the estimated value-to-lien ratios for property within the Assessment District described herein.

### **Ballot Initiatives**

From time to time constitutional initiatives or other initiative measures may be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations, or on the ability of the landowners to complete their developments.

### **Constitutional Amendment – Articles XIIC and XIID**

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC (“Article XIIC”) and Article XIID (“Article XIID”) to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the District under the Act (including, if applicable, any increase in such assessment or any supplemental assessment under the Act) must be conducted in conformity with the provisions of Section 4 of Article XIID. The District completed its proceedings for the levy of assessments in the Assessment District on May 13, 2020 after complying with the procedural requirements of Section 4 of Article XIID. Under Section 10400 of the Act, any challenge to the proceedings or the Assessment must be brought within 30 days after the date the assessment was levied.

Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIIC does not define the term “assessment”, and it is unclear whether this term is intended to include assessments levied under the Act. In the case of the unpaid Assessments which are pledged as security for payment of the Bonds, the 1915 Act provides a mandatory, statutory duty of the District and the County Auditor to post Assessment Installments on account of the unpaid Assessments to the property tax roll of the County each year while any of the Bonds are outstanding, commencing with property tax year 2022-23, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year plus certain administrative costs. It is unlikely that the initiative power can be used to reduce or repeal the unpaid Assessments which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the District and the County Auditor with respect to the unpaid Assessments which are pledged as security for payment of the Bonds.

The interpretation and application of the Initiative has been and will continue to be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of any future determination.

## **CONCLUDING INFORMATION**

### **Continuing Disclosure**

The District has agreed to execute a Continuing Disclosure Certificate (the “Disclosure Certificate”) in connection with the delivery of the Bonds for the benefit of the Underwriter, holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the

District by the February 1 following the end of the District's fiscal year (the "Annual Report") commencing February 1, 2021 and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The specific nature of the information to be included in the Annual Report and the notices of Listed Events is set forth in APPENDIX G -"FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE." The District has agreed to execute the Disclosure Certificate in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule").

It should be noted that the District is required to file certain financial statements with the Annual Report. This requirement has been included in the Disclosure Certificate solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the District other than the Assessments and amounts pledged under the Fiscal Agent Agreement. See "BONDOWNERS' RISKS - Limited District Obligation Upon Delinquency." It should also be noted that the list of Listed Events which the District has agreed to report includes items related to credit enhancements and ratings. These items have been included in the list solely to satisfy the requirements of the Rule. The Bonds have not been assigned a credit rating and have no credit enhancement.

The District is, or was during the past five years, responsible for providing continuing disclosure with respect to the three bond issues. In conjunction with the delivery of the Bonds, the Underwriter engaged the services of Digital Assurance Certification LLC ("DAC") to conduct a continuing disclosure compliance review with respect to the three bond issues. During the course of DAC's review, it was determined that during the past five years, the District inadvertently failed to state the balance in the reserve funds for the two water bond issues in their annual reports, which were funded with reserve sureties. All remedial filings have been made. The District believes that its procedures with the Dissemination Agent will be sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings in the future, including the Continuing Disclosure Agreement with respect to the Bonds.

### **Legal Opinion**

Certain proceedings in connection with the issuance of the Bonds are subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel ("Bond Counsel"). The opinion of Bond Counsel attesting to the validity of the Bonds will be delivered with each Bond. A form of the opinion to be delivered by Bond Counsel is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the District by the District Counsel and by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

### **Tax Matters**

*Tax Exemption.* The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. A

form of Bond Counsel's anticipated opinion is included as Appendix E. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Fiscal Agent Agreement relating to the Bonds by the District subsequent to the issuance of the Bonds. The Fiscal Agent Agreement and the Tax Certificate (with respect to the Bonds ) contain covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to Bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

*Tax Accounting Treatment of Discount and Premium on Certain Bonds.* The initial public offering of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond

(assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued original issue discount on Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond). Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

## **Litigation**

There is no action, suit, or proceeding, proper notice of which has been duly served upon the District, known by the District to be pending against the District at the present time restraining or

enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the District taken with respect to the execution or delivery thereof. A no litigation certificate executed by the District will be required to be delivered to the Underwriter with respect to these matters simultaneously with the delivery of the Bonds.

### **Financial Interests**

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

### **Rating**

Standard & Poor's Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "\_\_\_\_" to the Bonds. Such rating reflects only the views of S&P, and explanation of the significance of such rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **Underwriting**

The Bonds are being purchased by Piper Sandler & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Bonds of \$\_\_\_\_\_ plus a net original issue premium of \$\_\_\_\_\_ and less an Underwriter's discount of \$\_\_\_\_\_). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

### **Miscellaneous**

All quotations from, and summaries and explanations of, the Fiscal Agent Agreement, the Continuing Disclosure Certificate and other statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the District. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the District or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the District or the Bonds.

The execution and delivery of this Official Statement have been authorized by the District.

**NIPOMO COMMUNITY SERVICES DISTRICT**

By: \_\_\_\_\_  
General Manager

**APPENDIX A**

**ASSESSMENT DIAGRAM**

**APPENDIX B**  
**ENGINEER'S REPORT**

## APPENDIX C

### SUMMARY OF THE FISCAL AGENT AGREEMENT

## APPENDIX D

### COUNTY OF SAN LUIS OBISPO DEMOGRAPHIC AND ECONOMIC INFORMATION

The following information concerning the County of San Luis Obispo is presented as general background data. The Bonds are payable solely from the Assessments and other sources described herein (see "SECURITY FOR THE BONDS"). The taxing power of the County of San Luis Obispo, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds. See the information under the caption "THE BONDS."

#### Introduction

The County of San Luis Obispo (the "County") was formed in 1850 as a general law county, pursuant to the established general laws of the State of California. A five-member Board of Supervisors, elected for four-year terms in district nonpartisan elections, governs the County. The seven incorporated cities in the County are Paso Robles, Atascadero, Morro Bay, San Luis Obispo, Pismo Beach, Arroyo Grande, and Grover Beach which comprise approximately 56% of the total population in the County.

#### Population

According to the Department of Finance estimates, the population in the County remained relatively stable over the last five years.

#### Population of San Luis Obispo County and Incorporated Cities (As of January 1)

Area	2016	2017	2018	2019	2020
Arroyo Grande	17,858	17,842	17,864	17,839	17,687
Atascadero	30,340	30,506	30,387	30,348	30,057
El Paso de Robles	30,949	31,234	31,157	31,136	31,221
Grover Beach	13,455	13,474	13,422	13,320	13,214
Morro Bay	10,403	10,417	10,359	10,269	10,188
Pismo Beach	8,211	8,288	8,275	8,237	8,139
San Luis Obispo (city)	45,894	46,092	46,015	45,937	45,920
SUBTOTAL	157,110	157,853	157,479	157,086	156,426
Unincorporated	120,723	120,732	121,118	121,269	120,833
TOTAL	277,833	278,585	278,597	278,355	277,259

Source: State of California, Department of Finance; Table 2: E-4 Population Estimates for Cities, Counties and State, 2016-2020 with 2010 Census Benchmark, Sacramento, California, May 2020.

## Industry and Employment

The following table compares estimates of the labor force, civilian employment and unemployment for Nipomo residents, County residents, State residents and United States residents between 2015 through 2019. The unemployment rate for May for the County, State and United States was 12.7%, 15.9% and 13.3%.

### County of San Luis Obispo Civilian Labor Force, Employment and Unemployment Annual Average for Years 2015 Through 2019

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
<b>2015</b>				
Nipomo	9,000	8,400	600	6.9%
County	138,900	132,300	6,600	4.7
State	18,828,800	17,660,700	1,168,100	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
<b>2016</b>				
Nipomo	9,000	8,500	600	6.3%
County	139,500	133,400	6,000	4.3
State	19,021,200	17,980,100	1,041,100	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<b>2017</b>				
Nipomo	9,100	8,600	500	5.3%
County	140,400	135,400	5,000	3.6
State	19,176,400	18,257,100	919,300	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<b>2018</b>				
Nipomo	9,000	8,600	400	4.4%
County	140,300	136,000	4,200	3.0
State	19,280,800	18,460,700	820,100	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
<b>2019</b>				
Nipomo	9,100	8,700	400	4.2%
County	140,900	136,900	4,000	2.9
State	19,411,600	18,627,400	784,200	4.0
United States	163,539,000	157,538,000	6,001,000	3.7

† Preliminary. Data is seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

Source: State Employment Development Department, Labor Market Information Division, and U.S. Bureau of Labor Statistics.

The largest industries in the County, in terms of the percentage of employment in each respective industry, are estimated by the State Employment Development Department as follows:

**County of San Luis Obispo  
Employment by Industry Group  
Annual Averages**

Industry Employment <sup>(1)</sup>	2014	2015	2016	2017	2018 <sup>(2)</sup>
Agriculture	4,700	5,000	4,800	5,200	5,200
Natural Resources Mining and Construction	6,400	6,700	7,200	7,500	7,800
Manufacturing	6,800	7,000	7,000	7,300	7,800
Trade, Transportation, Warehousing/Utilities	20,500	20,800	21,000	21,100	21,000
Information	1,400	1,500	1,300	1,300	1,300
Finance, Insurance, and Real Estate	3,800	3,900	3,800	3,900	3,900
Professional and Business Services	9,400	10,100	10,500	10,700	10,800
Education and Health Services	16,200	16,500	17,000	17,400	17,800
Leisure and Hospitality	16,800	17,600	18,500	19,100	19,200
Other Services	3,600	3,800	3,800	4,000	4,000
Government	22,900	23,600	23,900	24,100	24,300
<b>TOTAL<sup>(3)</sup></b>	<b>112,600</b>	<b>116,400</b>	<b>118,800</b>	<b>121,500</b>	<b>122,900</b>

(1) Based on place of work.

(2) Most recent annual estimated data available.

(3) "Total" may not be precise due to independent rounding.

Source: State of California, Employment Development Department.

**Agriculture**

The County is comprised of approximately [2,126,240 acres, of which approximately 1,389,350 acres (representing 65.3%) are zoned for agricultural uses]. The value of agricultural production since 2014 is set forth in the table below.

**County of San Luis Obispo  
Value of Agricultural Production  
Calendar Years 2014 Through 2018<sup>(1)</sup>  
(In Thousands)**

	2014	2015	2016	2017	2018 <sup>(1)</sup>
Wine Grapes	\$203,785	\$146,435	\$242,900	\$267,662	\$276,002
Strawberries	205,765	222,604	241,282	228,169	268,356
Broccoli	57,158	47,759	43,878	42,996	48,348
Avocados	22,714	16,613	44,628	27,295	46,145
Cattle and Calves	129,600	66,000	39,984	43,241	43,761
Vegetable Transplants	33,679	38,730	34,195	33,119	35,245
Cauliflower	13,478	13,000	16,334	23,253	30,122
Cut Flowers	27,043	27,629	29,547	27,165	36,538
Head Lettuce	20,480	25,485	19,582	17,477	25,734
Lemons	15,864	16,417	16,008	16,016	24,548
Top Ten Crops Subtotal	729,566	620,672	728,338	726,393	834,799
All Other Crops	170,504	207,501	201,592	198,305	200,700
<b>TOTAL</b>	<b>\$900,070</b>	<b>\$828,173</b>	<b>\$929,930</b>	<b>924,698</b>	<b>1,035,499</b>

(1) Most recent annual data available.

Source: San Luis Obispo County Department of Agriculture/Weights and Measures.

## Major Employers

The following table provides a listing of major employers headquartered or located in the County and their estimated full-time equivalent (FTE) employment levels.

### County of San Luis Obispo Major Employers

Employer	Product or Service	Estimated No. of Employees
California Polytechnic State University, SLO	Education	3,000
County of San Luis Obispo	Government	2,920
Atascadero State Hospital	Health Services	2,000
Pacific Gas and Electric Company	Utility	1,866
California Men's Colony	Correction Institution	1,517
Cal Poly Corporation	Education	1,400
Tenet Healthcare	Health Services	1,305
Compass Health Inc.	Health Services	1,200
Lucia Mar Unified School District	Education	1,000
Paseo Robles Public Schools	Education	935

*Sources: County of San Luis Obispo 2018-19 Comprehensive Financial Report.*

## Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

The table below presents the latest available total personal income and per capita personal income for the County, the State and the nation for the calendar years 2015 through 2019.

**County of San Luis Obispo, State of California and United States  
Personal Income  
Calendar Years 2015 Through 2019<sup>(1)</sup>**

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income(dollars)
<b>2019<sup>(1)</sup></b>		
County	-	-
State	\$ 2,633,925	\$66,661
United States	18,599,062	56,663
<b>2018</b>		
County	\$ 16,612	\$58,491
State	2,514,129	63,711
United States	17,813,035	54,526
<b>2017</b>		
County	\$ 15,736	\$55,635
State	2,370,112	60,219
United States	16,870,106	51,910
<b>2016</b>		
County	\$ 14,955	\$54,041
State	2,263,890	57,801
United States	16,111,636	49,890
<b>2015</b>		
County	\$ 14,489	\$51,714
State	2,171,947	55,808
United States	15,709,242	48,994

(1) Most recent year for which annual data for the County, the State and the nation is available.  
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**Assessed Value, Tax Levy and Delinquencies**

County assessed valuations and tax levies and delinquencies as of June 30 for the past ten Fiscal Years are shown in the tables below.

**County of San Luis Obispo**  
**Assessed Valuations**  
**Fiscal Years 2003-04 Through 2012-13**  
(\$ in thousands)

<b>Fiscal Year</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Exemptions</b>	<b>Net Assessed Valuation</b>	<b>% Change</b>
2009-10	\$42,185,284	\$1,148,662	\$ (914,309)	\$42,419,637	-0.4%
2010-11	41,846,720	1,118,384	(927,194)	42,037,910	-0.9
2011-12	41,223,923	1,081,597	(965,089)	41,340,431	-1.7
2012-13	41,667,316	1,138,202	(1,009,234)	41,796,284	1.1
2013-14	42,900,845	1,195,631	(1,036,531)	43,059,945	3.0
2014-15	45,288,599	1,230,775	(1,093,212)	45,426,162	5.5
2015-16	48,037,099	1,257,845	(1,122,568)	48,172,375	6.0
2016-17	50,458,742	1,362,539	(1,173,683)	50,647,598	5.1
2017-18	53,278,739	1,386,183	(1,248,961)	53,415,961	5.5
2018-19	56,147,148	1,420,625	(1,305,110)	56,262,663	5.3

*Source: County of San Luis Obispo Auditor-Controller's Office, Property Tax Division.*

**County of San Luis Obispo**  
**Summary of Property Tax Collections and Delinquencies**  
**Fiscal Years 2009-10 through 2018-19**  
(\$ in thousands)

<b>Fiscal Year (June 30)</b>	<b>Total Levy</b>	<b>Collected Amount</b>	<b>Delinquent Amount<sup>†</sup></b>	<b>% Levy Delinquent</b>
2009-10	\$412,698	\$398,951	\$13,747	3.33%
2010-11	408,623	397,830	10,793	2.64
2011-12	403,472	396,238	7,234	1.79
2012-13	405,225	399,807	5,418	1.34
2013-14	421,140	416,450	4,690	1.11
2014-15	447,088	442,330	4,758	1.06
2015-16	470,629	466,465	4,164	0.88
2016-17	495,277	490,890	4,387	0.89
2017-18	522,528	517,777	4,751	0.91
2018-19	549,869	544,994	4,874	0.89

<sup>†</sup> Property taxes are due in two installments and become delinquent on December 10, with respect to the installment due on November 1 and on April 10, with respect to the installment due on February 1.

*Source: County Auditor-Controller.*

**Principal Taxpayers**

Assessed values for the principal taxpayers totaled approximately \$3.5 billion, or 6.15% of the County's 2018-19 Net Assessed Valuations. The principal largest taxpayers in the County, as shown on the Fiscal Year 2018-19 secured tax roll, and the approximate amounts of their assessed values within the County are shown in the table below.

**County of San Luis Obispo  
Principal Taxpayers  
Fiscal Year 2018-19**

Company	Type of Business	2018-19 Assessed Value (in thousands) <sup>†</sup>	% of Total
Pacific Gas and Electric	Utility	\$ 2,578,307	4.58%
Phillips 66 Company	Oil Refinery	161,646	0.29
Jamestown Premier	Commercial	113,238	0.20
Southern California Gas Company	Utility	108,816	0.19
CAP VIII Mustang Village LLC	Apartments	92,424	0.16
AT&T California	Utility	90,307	0.16
Treasury Wines Estates	Winery	90,052	0.16
E&J Gallo Winery/Vineyards	Winery	85,577	0.15
Sierra Vista Hospital	Hospital	80,002	0.14
Firestone Walker LLC	Brewery	68,644	0.12
Subtotal		3,469,013	6.15
Remaining taxpayers		\$52,793,650	93.85
TOTAL		\$56,262,663	100.00

<sup>†</sup> Excludes exempt publicly owned property, State assessed property and property subject to special taxes.  
Source: County of San Luis Obispo Auditor-Controller's Office.

**Commercial Activity**

Commercial activity is an important contributor to San Luis Obispo County's economy. The following table estimates the County's commercial activity between calendar years 2015 through 2019.

**County of San Luis Obispo  
Trade Outlets and Taxable Sales  
for Calendar Years 2015-2019<sup>(1)</sup>  
(\$ in Thousands)**

Taxable Retail Sales	2015	2016	2017	2018	2019 <sup>(1)</sup>
Motor Vehicle & Parts Dealer	\$ 588,253	\$ 633,200	\$ 664,737	\$ 661,237	\$ 653,526
Home Furnishings & Appliances Store	158,500	160,801	160,917	166,561	150,050
Bldg Mater. & Garden Equip. & Supplies	366,798	377,911	410,711	433,830	427,121
Food and Beverage Stores	271,426	273,525	290,285	300,376	314,628
Gasoline Stations	445,989	395,974	416,298	475,355	476,941
Clothing & Clothing Accessories Store	241,557	246,464	252,651	254,959	250,271
General Merchandise Store	372,670	369,328	372,525	369,245	371,209
Food Services & Drinking Places	624,743	652,261	673,027	687,249	711,919
Other Retail	445,044	463,720	489,289	516,389	569,176
Total Retail & Food Services	3,514,981	3,573,185	3,730,441	3,865,203	3,924,841
All Other Outlets	1,468,895	1,486,038	1,610,949	1,551,129	1,576,453
TOTAL ALL OUTLETS	\$4,983,875	\$5,059,223	\$5,341,390	\$5,416,332	\$5,501,294

(1) Most recent annual data available.

Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

## Construction Activity

The total valuation of building permits issued in the County as estimated by the Construction Industry Research Board was approximately \$541.6 million for calendar year 2019. The following table provides an estimated building permit valuation summary for calendar years 2015 through 2019.

**County of San Luis Obispo  
Building Permit Valuation  
for Calendar Years 2015 - 2019**  
(\$ in thousands)

Year	Residential		Valuation <sup>(1)</sup>	Nonresidential Valuation	Total <sup>(2)</sup>
	Single Family	Multifamily			
2015	664	216	\$287,715	\$144,025	\$431,740
2016	531	283	279,712	157,487	437,199
2017	696	445	328,232	120,402	448,633
2018	636	207	267,300	167,767	435,068
2019	697	204	410,042	131,602	541,644

(1) Includes the value of residential alterations and additions.

(2) Total represents the sum of residential and nonresidential building permit valuations. Columns may not total due to independent rounding.

Source: Construction Industry Research Board.

**APPENDIX E**

**OPINION OF BOND COUNSEL**

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully- registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book- entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership

interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Fiscal Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Fiscal Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be

deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Fiscal Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Nipomo Community Services District (the "Issuer") in connection with the issuance of Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation Improvement Bonds, Series 2020, in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Directors of the Issuer on July \_\_\_, 2020, and a Fiscal Agent Agreement dated as of July 1, 2020 (the "Fiscal Agent Agreement") by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The Issuer and Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5), as amended.

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

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Participating Underwriter" shall mean Piper Sandler & Co.

"Repository" shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"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 Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by February 1 of each year, commencing February 1, 2021, provide to the Repository, in an electronic format as prescribed by the Municipal Securities Rulemaking Board, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Issuer is unable to provide to the Repository or the Dissemination Agent an

Annual Report by the date required in subsection (a), the Issuer shall in a timely manner send a notice to the Municipal Securities Rulemaking Board, in an electronic format as prescribed by the Municipal Securities Rulemaking Board, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the Municipal Securities Rulemaking Board for the Annual Report; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the Issuer prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, together with the following statement: THE ISSUER'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE ISSUER ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE ISSUER IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE ISSUER IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) Updates to information regarding the annual aggregate special assessment installments, amount collected, delinquent amount and percent delinquent for the most recent fiscal year and the amount and percent remaining delinquent for any prior fiscal year, as shown in Tables [3, 4, 5, 6 and 9] of the Official Statement.

Such information listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; and
10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. notices of redemption;
7. release, substitution or sale of property securing repayment of the Bonds; and
8. incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which

affect Bondholders.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with MSRB in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) For purposes of the events identified in subparagraphs (a)(10) and (b)(8), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Termination of Reporting Obligation. The Issuer's and the Dissemination Agent's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), 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 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement, 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 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto

containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repository in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Fiscal Agent Agreement or any Supplemental Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only duties as are specifically set forth in this Disclosure Certificate, and the Issuer 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 attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent has no power to enforce performance on the part of the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Notices. Any notice or communication required or permitted hereunder shall be given in writing, sent by (a) personal delivery delivered by a representative of the party giving such

notice, or (b) overnight delivery by recognized overnight courier, or (c) United States mail, postage prepaid, registered or certified mail, or facsimile, addressed as follows:

If to the Issuer:

Nipomo Community Services District  
148 S. Wilson Street  
Nipomo, California 93444

or to such other address or to the attention of such other person as hereinafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been delivered either at the time of personal delivery actually received by the addressee or a representative of the addressee at the address provided above or, if delivered on a business day in the case of delivery service or certified or registered mail, as of the earlier of the date delivered or the date 72 hours following the date deposited in the United States mail at the address provided herein, or if by telecopier, upon electronic confirmation of good receipt by the receiving telecopier.

Section 14. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Issuer to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate shall be deemed to obligate the Issuer to disclose information concerning any owner of land within the District except as required as part of the information required to be disclosed by the Issuer pursuant to Section 4 and Section 5 hereof.

Dated: July \_\_\_\_, 2020

NIPOMO COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
General Manager

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Nipomo Community Services District  
Name of Bond Issue: \$\_\_\_\_\_Nipomo Community Services District Assessment District  
No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation  
Improvement Bonds, Series 2020  
Date of Issuance: July \_\_, 2020

NOTICE IS HERBY GIVEN that the Issuer has not provided an Annual Report with respect to the above- named Bonds as required by the Fiscal Agent Agreement dated as of July 1, 2020, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_,

\_\_\_\_\_  
as Dissemination Agent on behalf of Issuer

JULY 22, 2020

ITEM E-2

ATTACHMENT E

§ \_\_\_\_\_  
**NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1  
(BLACKLAKE SEWER CONSOLIDATION)  
LIMITED OBLIGATION IMPROVEMENT BONDS  
SERIES 2020**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2020

Nipomo Community Services District  
P.O. Box 326  
Nipomo, California 93444-0326  
Attention: Mario Iglesias, General Manager

Ladies and Gentlemen:

Piper Sandler & Co. (the “**Underwriter**”), acting not as fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the Nipomo Community Services District (the “**District**”), which upon acceptance will be binding upon the District and upon the Underwriter. This offer is made subject to the District’s acceptance by the execution of this Purchase Agreement and its delivery to the Underwriter at or before 11:59 p.m., Pacific Standard Time, on the date of this Purchase Agreement and, if not, so accepted will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District.

The District acknowledges and agrees that: (i) the purchase and sale of the Bonds (defined below) pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the District and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); and (iv) the District has consulted its own legal, financial and other advisors to the extent it has deemed appropriate for this transaction.

1. Purchase and Sale of the Bonds. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District, and the District hereby agrees to sell to the Underwriter, all (but not less than all) of the bonds captioned above (the “**Bonds**”), in the aggregate original principal amount of \$ \_\_\_\_\_, at a purchase price of \$ \_\_\_\_\_ (consisting of the principal amount of the

Bonds, [plus/less] a [net] original issue [premium/discount] of \$ \_\_\_\_\_, less an Underwriter's discount of \$ \_\_\_\_\_).

2. Description of Bonds; Authorizing Instruments.

(a) The Bonds will bear interest at such rates per annum and mature on such dates and in such amounts as set forth in Exhibit A hereto.

(b) The Bonds are issued under the Improvement Bond Act of 1915, being Division 10 of the California Streets and Highways Code (the "**1915 Act**"), a resolution approving the issuance of the Bonds adopted by the Board of Directors (the "**Board**") of the District on [July 22, 2020] (the "**Resolution**") and a Fiscal Agent Agreement dated as of July 1, 2020 (the "**Fiscal Agent Agreement**") by and between the District and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "**Fiscal Agent**").

(c) All of the proceedings of the District undertaken to form the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) (the "**Assessment District**") and to levy the assessments (the "**Assessments**") were undertaken under the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "**1913 Act**").

3. Public Offering and Establishment of Issue Price.

(d) The Underwriter agrees to make a bona fide public offering of the Bonds at the initial public offering price or prices set forth in Exhibit A hereto and subject to Section 3(c) and 3(d) hereof, the Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary or desirable, in its sole discretion, in connection with the marketing of the Bonds, and to sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices set forth in the Final Official Statement (defined below). A "**bona fide public offering**" shall include an offering to institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

(e) The Underwriter agrees to assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at Closing (defined below) an "**issue price**" or similar certificate, together with copies of supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit C, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District Bond Counsel (as defined herein) to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the District under this section to establish the issue price of the Bonds may be taken on behalf of the District by the District's municipal advisor, Columbia Capital Management, LLC (the "**Municipal Advisor**") and any notice or report to be provided to the District may be provided to the Municipal Advisor with a copy to the District.

(f) [Except as otherwise set forth in Exhibit A attached hereto,] the District will treat the first price at which 10% of each maturity of the Bonds (the "**10% test**"), identified under the column "10% Test Used" in Exhibit A, is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the District

the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or Bond Counsel. For purposes of this section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(g) [The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following.

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.]

(h) The Underwriter confirms that:

(1) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A) (i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(2) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(i) The District acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(j) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “**public**” means any person other than an underwriter or a related party;

(2) “**underwriter**” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(3) a purchaser of any of the Bonds is a “**related party**” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “**sale date**” means the date of execution of this Purchase Agreement by the District and the Underwriter].

4. Delivery of Official Statement; Continuing Disclosure.

(a) *Preliminary Official Statement.* The District has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Agreement or the first offering of the Bonds, whichever first occurs, copies of the Preliminary Official Statement relating to the Bonds dated \_\_\_\_\_, 2020 (including any supplements or amendments thereto, the “**Preliminary Official Statement**”). The Preliminary Official Statement is the preliminary official statement deemed final by the District for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (“**Rule 15c2-12**”) and approved for distribution by resolution of the District. The District shall execute and deliver to the Underwriter a certification in substantially the form attached hereto as Exhibit B in connection with distribution of the Preliminary Official Statement.

(b) *Final Official Statement.* The District shall deliver to the Underwriter a final Official Statement (the “**Final Official Statement**”), executed on behalf of the District by an authorized representative and dated the date of this Purchase Agreement, within seven (7) business days after the date of this Purchase Agreement, and in sufficient time to accompany any confirmation that requests payment from any customer. The Underwriter covenants to file the Official Statement with the Municipal Securities Rulemaking Board (the “MSRB”) through the Electronic Municipal Marketplace Access website of the MSRB, currently maintained on the Internet at <http://emma.msrb.org/>. The Final Official Statement shall include information permitted to be omitted by paragraph (b)(1) of the Rule and with such other amendments or supplements as may be approved by the District and the Underwriter. The Preliminary Official Statement and the Final Official Statement, including the cover page, appendices and all information incorporated therein by reference, are hereinafter referred collectively to as the “**Official Statement.**”

(c) *District Continuing Disclosure.* In order to assist the Underwriter with complying with Rule 15c2-12, the District will execute with Willdan Financial Services concurrently with issuance of the Bonds a Continuing Disclosure Certificate with respect to the Bonds (the “**Continuing Disclosure Certificate**”), in the form attached as Appendix G to the Preliminary Official Statement.

5. The Closing. At \_\_\_\_ A.M., Pacific Daylight Time, on \_\_\_\_, 2020, or at such other time or date as shall be agreed upon by the Underwriter and the District (such time and date being herein referred to as the “**Closing Date**”), the District will deliver (i) to The Depository Trust Company (“**DTC**”) or to The Bank of New York Mellon Trust Company, N.A., acting as DTC’s agent, the Bonds in definitive form (all Bonds being in book-entry form registered in the name of Cede & Co. and having the CUSIP numbers assigned to them printed thereon), duly executed by the officers of the District, as provided in the Fiscal Agent Agreement, and (ii) to the Underwriter, at the offices of Norton Rose Fulbright US LLP, Los Angeles, California (“**Bond Counsel**”), or at such other place as shall be mutually agreed upon by the District and the Underwriter, the other documents herein mentioned; and the Underwriter shall accept such delivery and pay the purchase price of the Bonds in immediately available funds (such delivery and payment being herein referred to as the “**Closing**”).

6. Representations, Warranties and Agreements of the District. The District makes the following representations, warranties and covenants:

(a) *Due Organization and Existence.* The District is duly created and validly existing as a community services district under the Constitution and laws of the State of California and has, and at the Closing Date will have, full legal right, power and authority: (i) to adopt the Resolution and to enter into this Purchase Agreement, the Fiscal Agent Agreement and the Continuing Disclosure Certificate (collectively, the “**District Documents**”); (ii) to issue, sell and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out, give effect to and consummate the transactions contemplated by the District Documents and the Official Statement.

(b) *Compliance with Laws and Agreements.* The District has complied and will at the Closing Date be in compliance, in all material respects as it relates to the Bonds or the Assessments, with the Resolution, the 1913 Act, the 1915 Act, and all other applicable laws and the agreements referred to in subsection (a) hereof.

(c) *Due Adoption and Enforceability.* The District has, or prior to the Closing Date, will have, duly and validly: (i) adopted the Resolution and approved and authorized the execution and delivery of the Bonds, the District Documents, the Official Statement and any other applicable agreements; and (ii) authorized and approved the performance by the District of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, the Bonds and the District Documents; and at the Closing Date (assuming due authorization, execution and delivery by the respective other parties thereto, where necessary) the Bonds, the District Documents and any other applicable agreements will constitute the valid, legal and binding obligations of the District, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by

the exercise of judicial discretion and the limitations on legal remedies against districts such as the District in the State of California.

(d) *No Defaults.* To the best knowledge of the District, after due inquiry, (i) the District is not, and at the Closing will not be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or default under any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order, or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound; and (ii) the adoption of the Resolution, and the execution and delivery of the Bonds, the District Documents, any other applicable agreements and the other instruments contemplated by any of such documents to which the District is a party, and compliance with the provisions of each thereof, will not, in any respect material to the transactions referred to herein or contemplated hereby, conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound.

(e) *Approvals and Consents.* To the best knowledge of the District, after due inquiry, all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the District of its obligations hereunder and under the Bonds, the District Documents and any other applicable agreements, have been obtained and are in full force and effect.

(f) *Form and Validity of the Bonds and District Documents.* The Bonds, the District Documents, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and the Bonds, when delivered to and paid for by the Underwriter on the Closing Date as provided herein, will be validly issued and outstanding and entitled to all the benefits and security of the Fiscal Agent Agreement.

(g) *Validity of Assessments.* The Assessments have been duly and lawfully levied under the 1913 Act, and the Assessments constitute valid and legally binding liens on the properties on which they have been levied, all as described in the Official Statement.

(h) *No Senior Assessment Liens.* Except as disclosed in the Official Statement, there are no outstanding assessment liens against any of the properties within the Assessment District that are senior to the liens of the Assessments.

(i) *Accuracy of Official Statements.* As of the date hereof, the Preliminary Official Statement does not, and as of the Closing Date the Final Official Statement will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the

circumstances under which they were made, not misleading (except that this representation does not include information regarding The Depository Trust Company and its book-entry only system, under the caption "UNDERWRITING," CUSIP numbers, prices and yields for the Bonds and any other information provided by the Underwriter as to which no view is expressed).

(j) *Amendments to Official Statement.* Until the date which is twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined), if any event shall occur of which the District is aware that would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading, the District shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the District shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "**end of the underwriting period**" means the later of such time as: (i) the District delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the District at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the "end of the underwriting period."

(k) *Security for the Bonds.* The Fiscal Agent Agreement creates a valid pledge of, lien upon and security interest in the unpaid Assessments in the Assessment District, and the interest thereon and the moneys in certain funds and accounts as provided in the Fiscal Agent Agreement, including the investments thereof, subject in all cases to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(l) *Absence of Litigation.* Except as disclosed in the Official Statement, to the best knowledge of the District after diligent inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body (except for actions filed by or on behalf of the District) is pending with respect to which proper notice has been duly served upon the District, or threatened against the District, in any way affecting the existence of the District or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, the collection or application of the Assessments pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Assessments, the Bonds or the District Documents, any other applicable agreements, or any action of the District contemplated by any of those documents, or in any way contesting the completeness or accuracy of the Preliminary Official Statement or Official Statement, or the powers of the District or its authority with respect to the Bonds, the District Documents, any other applicable agreements, or any action of the District contemplated by any of those documents, or which would

adversely affect the exclusion from gross income for purposes of federal income taxes of interest paid on the Bonds or the exemption of interest on the Bonds from California personal income taxation.

(m) *Compliance with Blue Sky Laws.* The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the District shall not be required to consent to service of process outside of the State of California.

(n) *Application of Bond Proceeds.* The District will apply the proceeds of the Bonds to the acquisition and construction of the public improvements described in the Official Statement and for the other purposes described in the Official Statement, in accordance with the District Documents and all other applicable documents.

(o) *Arbitrage Bonds.* The District will not invest or otherwise use proceeds of the Bonds in any manner which would cause the Bonds to be considered arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(p) *Tax Exemption of the Bonds.* The District shall take any action reasonably necessary to assure or maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds, and will not take any action, or permit any action to be taken with respect to which it may exercise control, which would result in the loss of that exclusion.

(q) *Continuing Disclosure.* The District will undertake, under the Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, as required under the Rule. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement. Except as otherwise disclosed in the Official Statement, the District has not failed at any time in the five years preceding the date hereof to comply in all material respects with regard to any prior continuing disclosure obligation entered into by the District pursuant to Section (b)(5) of Rule 15c2-12 (as in effect as of the date that such continuing disclosure obligation was entered into) to provide annual reports or notices of material events.

7. Conditions to the Obligations of the Underwriter. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date is subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the District contained in this Purchase Agreement as of the date hereof and as of the Closing Date; to the accuracy in all material respects of the statements of the officers and other officials of the District, as well as of the other individuals referred to in this Purchase Agreement, made in any certificates or other documents furnished pursuant to the provisions hereof; to the performance by the District of its obligations to be performed under this Purchase Agreement at or prior to the Closing Date; and to the following additional conditions:

(a) *Validity of Resolutions and Actions.* At the Closing Date, the Resolution, and all other resolutions of the District adopted with respect to the Assessment District, shall be in full force and effect, and shall not have been amended, modified or supplemented (except such amendments, modifications or supplements as may have been taken in connection with the issuance of the Bonds and with the transactions contemplated by the District Documents with the consent of the Underwriter and Bond Counsel).

(b) *Official Statement.* At the Closing Date, the Official Statement shall be in a form and substance satisfactory to the Underwriter.

(c) *Termination Events.* Between the date hereof and the Closing Date, the market price or marketability of the Bonds (at the yields set forth in Exhibit A) shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the District terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

(i) legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department or the Internal Revenue Service of the United States of America, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon the interest that would be received by the owners of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof;

(ii) legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission (the "SEC"), or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, or the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Fiscal Agent Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, or of the Bonds, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws, rules or regulations as amended and then in effect;

(iii) any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, their property, income or securities (or interest thereon), the validity or enforceability of the

Assessments as contemplated by the Fiscal Agent Agreement or the Official Statement;

(iv) any event occurring, or information becoming known, which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement, or results in the Preliminary Official Statement or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(v) a declaration of war or an escalation of, or engagement in, military hostilities by the United States or the occurrence of any other national or international emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States;

(vi) the declaration of a general banking moratorium by federal, State of New York or State of California authorities, or the general suspension of trading on any national securities exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange or other national securities exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction that, in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds;

(vii) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(viii) there shall have been a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred;

(ix) there shall have been any material adverse change in the affairs of the District that in the Underwriter's reasonable judgment will materially adversely affect the market for the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds;

(x) there shall be established any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order;

(xi) a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the Bonds, including all the underlying obligations as contemplated hereby or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act, and the Trust Indenture Act of 1939, as amended; or

(xii) filing of or threat of litigation of the type described in Section 6(l) hereof.

(d) *Closing Documents.* At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter and Bond Counsel.

(i) *District Documents and Official Statement.* The District Documents and the Official Statement, executed on behalf of the District by an authorized officer.

(ii) *Resolutions.* The Resolution and all other material resolutions of the District adopted with respect to the Assessment District, together with certificates of an authorized officer of the District, dated as of the Closing Date, to the effect that they are true, correct and complete copies of the resolutions duly adopted by the District and that they have not been amended, modified or rescinded and are in full force and effect as of the Closing Date.

(iii) *Bond Counsel Opinion.* An unqualified opinion of Bond Counsel, dated the Closing Date, in substantially the form appended to the Official Statement; together with a letter of Bond Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion was addressed to it.

(iv) *Supplemental Opinion of Bond Counsel.* An opinion, dated the Closing Date and addressed to the Underwriter and the District, of Bond Counsel to the effect that: (1) this Purchase Agreement has been duly authorized, executed and delivered by the District, and assuming due authorization, execution and delivery by the Underwriter, constitutes a legal, valid and binding agreement of the District, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against districts such as the District in the State of California; (2) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended; and (3) the statements contained in the Official Statement on the cover and under the captions "THE BONDS," "SECURITY FOR THE BONDS" and "CONCLUDING INFORMATION—Tax Matters," and in Appendix C—"SUMMARY OF THE FISCAL AGENT AGREEMENT" AND APPENDIX E—"OPINION OF BOND COUNSEL," insofar as such statements purport to summarize certain provisions of the 1915 Act, the 1913 Act, the Bonds, the Fiscal Agent

Agreement, and Bond Counsel's final approving opinion, present a fair and accurate summary of such provisions.

(v) *Disclosure Counsel Letter.* A letter of Norton Rose Fulbright US LLP, Los Angeles, California, as disclosure counsel ("**Disclosure Counsel**") addressed to the Underwriter and the District, to the effect that, based upon the information provided to such counsel in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Preliminary Official Statement or the Official Statement, such counsel have no reason to believe that the Preliminary Official Statement, as of its date, or the Official Statement, as of its date and as of the Closing Date (except for any financial statements and other financial, statistical or engineering data, numbers, charts, estimates, projections, assumptions or expressions of opinion, any information about valuation, appraisals, absorption, archeological or environmental matters included therein, the appendices thereto, and information relating to The Depository Trust Company and its book-entry only system, as to which no view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(vi) *District Closing Certificate.* A certificate of the District, dated the Closing Date and signed by an authorized officer of the District, to the effect that (a) the representations and warranties of the District contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; and (b) no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading.

(vii) *District General Counsel Opinion.* An opinion, dated the Closing Date and addressed to the Underwriter and the District, of general counsel to the District, to the effect that (i) except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending with respect to which proper notice has been duly served upon the District or, to the best of our knowledge, threatened against the District which would materially adversely affect the ability of the District to perform its obligations under the District Documents or the Bonds, or seeking to restrain or to enjoin the issuance of the Bonds, or the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection of the Assessments, or in any way contesting or affecting the validity or enforceability of the District Documents or the Bonds or the accuracy of the Official Statement, or any action of the District contemplated by any of said documents; (ii) the District is duly organized and validly existing as a community services district under the Constitution and laws of the State of California; (iii) to the best knowledge of such counsel after due inquiry, the execution and delivery of the District Documents and compliance by the District with the provisions thereof, under the circumstances contemplated thereby, the levying of the Assessments, and the issuance of the Bonds do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument applicable to or binding upon the District, or any existing law, regulation, court order, or consent decree to which the District is subject;

and (iv) the Board has duly and validly adopted the Resolution and the resolutions forming the Assessment District and approving the levy of the Assessments at meetings of the Board which were called, held and conducted pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and that such resolutions are now in full force and effect.

(vii) *District Rule 15c2-12 Certificate.* In connection with printing and distribution of the Preliminary Official Statement, an executed certificate of the District in the form attached hereto as Exhibit B.

(ix) *Closing Transcript.* A transcript of all proceedings relating to the authorization, issuance, sale and delivery of the Bonds.

(x) *Form 8038.* Evidence that the federal tax information form 8038-G has been prepared for filing.

(xi) *Tax Certificate.* A certificate of the District dated the Closing Date, in a form acceptable to Bond Counsel, to the effect that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(xii) *Fiscal Agent Certificate and Opinion.* A certificate of the Fiscal Agent and an opinion of counsel to the Fiscal Agent dated the Closing Date and addressed to the District and the Underwriter to the effect that the Fiscal Agent has authorized the execution and delivery of the Fiscal Agent Agreement and that the Fiscal Agent Agreement is a valid and binding obligation of the Fiscal Agent enforceable in accordance with its terms.

(xiii) *Notice of Assessment.* Evidence of recordation of the Notice of Assessment in the real property records of the County.

(xiv) *Engineer's Report.* A copy of the Engineer's Report, signed by an authorized representative of Willdan Financial Services (the "**Assessment Engineer**").

(xv) *Certificate of Assessment Engineer.* A certificate of the Assessment Engineer, dated the Closing Date, addressed to the District and the Underwriter, to the effect that (a) based upon the information provided to such firm as the Assessment Engineer to the District in the course of its participation in the preparation of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement relating to information not furnished by it, said firm has no reason to believe that the Official Statement as of the date of the Official Statement omitted, or as of the Closing Date omits, to state any material fact required to be stated therein or necessary to make the statements therein relating to the Assessment District, in light of the circumstances under which they were made, not misleading; (b) data provided by such firm and presented in the Official Statement, including the information presented in Tables 2 through 9 of the Official Statement, are true, correct and accurate; (c) the Assessment, as set forth in the Engineer's Report, has been spread in conformance with the requirements of the 1913 Act to each separate lot, piece, parcel, or subdivision of lands within the Assessment District and, accordingly, the Assessment is fair

and equitable; and (d) that the Assessment Engineer consents to the inclusion of the Engineer's Report as an appendix to the Official Statement.

(xvi) *Notices to State.* Copies of the preliminary and final notices to the California Debt and Investment Advisory Commission relating to the Bonds.

(xvii) *Additional Agreements.* Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the District's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the District at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the District in connection with the transactions contemplated hereby and by the Resolution and the Official Statement.

(e) *Failure to Satisfy Closing Conditions.* If any of the conditions to the obligations of the Underwriter contained in this section or elsewhere in this Purchase Agreement are not satisfied when and as required herein, all obligations of the Underwriter under this Purchase Agreement may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the District.

8. Expenses. Whether or not the Bonds are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (out of any legally available funds of the District) all expenses incident to the performance of the District's obligations hereunder, including, but not limited to, the cost of printing, engraving and delivering the Bonds to the Underwriter, the cost of preparation, printing, distribution and delivery of the Fiscal Agent Agreement, the Preliminary Official Statement, the Official Statement and all other agreements and documents contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter; and the fees and disbursements of the Municipal Advisor, the Assessment Engineer, the Fiscal Agent, Bond Counsel, Disclosure Counsel and any other accountants, engineers or any other experts or consultants the District has retained in connection with the Bonds; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and this Purchase Agreement; expenses to qualify the Bonds for sale under any "blue sky" or other state securities laws; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

9. Notices. Any notice or other communication to be given to the District under this Purchase Agreement may be given by delivering the same in writing to the address first given above and any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Piper Sandler & Co., 120 Vantis Drive, Suite 330, Aliso Viejo, CA 92656, Attention: Katherine Koster.

10. Parties in Interest. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including successors or assignees of the Underwriter) and no other person, including but not limited to any owner of land within the Assessment District, shall acquire or have any right hereunder or by virtue hereof.

11. Effective. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

12. No Prior Agreements. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds for the District.

13. Governing Law. This Purchase Agreement shall be governed by the laws of the State applicable to contracts made and performed in the State.

14. Survival of Representations and Warranties. The representations and warranties of the District set forth in or made under this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement, regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District and regardless of delivery of and payment for the Bonds.

15. Severability. If any one or more of the provisions of this Purchase Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

*[SIGNATURES ON FOLLOWING PAGE.]*

16. Counterparts. This Purchase Agreement may be executed simultaneously in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

Very truly yours,

PIPER SANDLER & CO., as Underwriter

By: \_\_\_\_\_  
Authorized Officer

Accepted:

NIPOMO COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
Mario Iglesias, General Manager

EXHIBIT A

\$ \_\_\_\_\_  
NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1  
(BLACKLAKE SEWER CONSOLIDATION)  
LIMITED OBLIGATION IMPROVEMENT BONDS  
SERIES 2020

<i>Maturity Date (September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Used</i>
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**Optional Redemption.**

***Optional Redemption of Bonds from Refunding Bonds.*** The Bonds maturing on or after September 2, 2031 are subject to redemption prior to their stated maturity dates on any Interest Payment Date on and after September 2, 2030 from such maturities as selected by the District, from proceeds of any bonds issued to refund the Bonds pursuant to the Refunding Act of 1984 for 1915 Improvement Act (the "Refunding Bond Proceeds"), at the redemption price equal to the principal amount being redeemed, without premium, together with accrued interest to the date of redemption.

***Optional Redemption of Bonds from Surplus Funds.*** The Bonds are subject to redemption prior to their stated maturity dates in part, on any date on and after September 2, 2026, among such maturities as selected by the District, from any source of funds other than prepayment of Assessments and Refunding Bond Proceeds, including, but not limited to, surplus monies on deposit in the Improvement Fund and in lieu charges credited to the Assessment District, at the redemption price of [105%] (expressed as a percentage of the principal amount being redeemed), together with accrued interest to the date of redemption.

***Mandatory Redemption From Assessment Prepayments.*** Whenever, as of an Interest Payment Date, there are sufficient funds in the Prepayment Account of the Redemption Fund from the proceeds of prepayments of Assessments, the Bonds shall be called for redemption as provided in Part 11.1 of the Improvement Bond Act of 1915 (the "1915 Act"). Each Bond, or any portion thereof, in the principal amount of \$5,000 or any integral multiple thereof, may be redeemed and paid in advance of maturity on any Interest Payment Date in any year pro rata among maturities, by giving notice to the Owner thereof and by paying the principal amount thereof, plus interest to the date of redemption, unless sooner surrendered, in which event said interest will be paid to the date of

payment, together with a redemption premium (expressed as percentages of the principal amount of the Bonds to be redeemed) at the following redemption prices:

<i>Redemption Date</i>	<i>Redemption Prices</i>
Interest Payment Dates on or prior to September 2, 2025	103%
March 2, 2026 and September 2, 2026	102
March 2, 2027 and September 2, 2027	101
March 2, 2028 and any Interest Payment Date thereafter	100

***Mandatory Sinking Fund Redemption.*** The Bonds maturing September 2, 20\_\_, and on September 2, 20\_\_ (the "Term Bonds") are subject to mandatory redemption, in part by lot, from sinking fund payments set forth in the following schedule commencing on September 2, 20\_\_, and on September 2 in each year thereafter to and including September 2, 20\_\_ at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the dates fixed for redemption.

Term Bond Maturing September 2, 20\_\_

<i>Redemption Date (September 2)</i>	<i>Principal Amount to be Redeemed</i>
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\*Maturity.

Term Bond Maturing September 2, 20\_\_

<i>Redemption Date (September 2)</i>	<i>Principal Amount to be Redeemed</i>
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\*Maturity.

**EXHIBIT B**

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**NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1  
(BLACKLAKE SEWER CONSOLIDATION)  
LIMITED OBLIGATION IMPROVEMENT BONDS  
SERIES 2020**

**RULE 15c2-12 CERTIFICATE**

The undersigned hereby certifies and represents that he is the General Manager of the Nipomo Community Services District (the “**District**”), and, as such, is duly authorized to execute and deliver this certificate and further hereby certifies that:

(1) this certificate is being delivered in connection with the sale and issuance of the Nipomo Community Services District No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation Improvement Bonds, Series 2020 (the “**Bonds**”) in order to enable the underwriter of the Bonds to comply with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the “**Rule**”);

(2) in connection with the sale and issuance of the Bonds, there has been prepared a Preliminary Official Statement dated \_\_\_\_\_, 2020 setting forth information concerning the Bonds, the District and the District’s Assessment District No. 2020-1 (Blacklake Sewer Consolidation) (the “**Preliminary Official Statement**”); and

(3) except for the Permitted Omissions, the Preliminary Official Statement is deemed final within the meaning of the Rule. As used herein, the term “**Permitted Omissions**” refers to the offering price(s), interest rates(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all as set forth in the Rule.

IN WITNESS WHEREOF, I have hereunto set my hand as of \_\_\_\_\_, 2020.

NIPOMO COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
Mario Iglesias, General Manager

\_\_\_\_\_  
*\* Preliminary, subject to change.*

EXHIBIT C

FORM OF ISSUE PRICE CERTIFICATE

§ \_\_\_\_\_ \*

NIPOMO COMMUNITY SERVICES DISTRICT  
ASSESSMENT DISTRICT NO. 2020-1  
(BLACKLAKE SEWER CONSOLIDATION)  
LIMITED OBLIGATION IMPROVEMENT BONDS  
SERIES 2020

The undersigned, on behalf of Piper Sandler & Co. (“**Piper**”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “**Bonds**”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Piper offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “**Initial Offering Prices**”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated \_\_\_\_\_, 2020, by and between Piper and the Issuer, Piper has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “**hold-the-offering-price rule**”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. ***Reserve Fund.***

The establishment of the Reserve Fund for the in the amount of the Reserve Requirement (as such terms are defined in the Fiscal Agent Agreement dated as of \_\_\_\_\_, 2020, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as fiscal agent, pursuant to which the Bonds are being issued) was vital to the marketing of the Bonds and reasonably required to assure payment of debt service on the Bonds.

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\* Preliminary, subject to change.

4. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) [*Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”]

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date \_\_\_\_\_, 2020), or (ii) the date on which Piper has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Issuer* means the Nipomo Community Services District.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) [*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2020.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Piper’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in a Tax Certificate for the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

PIPER SANDLER & CO.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_\_\_\_, 2020

**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING  
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]**

*(Attached)*

**[SCHEDULE B  
PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*