



January 2, 2019

TO: LOCSO Board of Directors

FROM: Christine Womack, LOCSO Board Director
Marshall Ochylski, LOCSO Board Vice President
Ben Levine, Wulff, Hansen & Co.
Jeff Land, Brandis Tallman

SUBJECT: Agenda Item 12C – 1/10/2019 Board Meeting
Issuance of Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019)

President
Vicki L. Milledge

Vice President
Marshall E. Ochylski

Directors
Charles L. Cesena
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Christine M. Womack

General Manager
Renee Osborne

District Accountant
Robert Stilts, CPA

Unit Chief
Scott M. Jalbert

Battalion Chief
Greg Alex

DESCRIPTION

That the Los Osos Community Services District, (the "District") adopt the following resolutions, respectively:

1. A Resolution 2019-03 of the Board of Directors of the Los Osos Community Services District of Intention to Levy Reassessments and to Issue Refunding Bonds Upon the Security Thereof, Relating to Wastewater Assessment District No. 1
2. A Resolution 2019-04 of the Board of Directors of the Los Osos Community Services District Adopting Reassessment Report for the Los Osos Community Services District Wastewater Assessment District No. 1, Confirming and Ordering the Reassessments and Authorizing and Directing Actions with Respect Thereto
3. A Resolution 2019-04 of the Board of Directors of the Los Osos Community Services District Authorizing the Issuance of Limited Obligation Refunding Bonds for Wastewater Assessment District No. 1 Providing for Execution of a Fiscal Agent Agreement, and Approving and Authorizing Other Matters Related Thereto

RECOMMENDATION

Motion: I move that the Board adopt Resolution 2019-03 of Intention to Levy Reassessments and to issue Refunding Bonds; Resolution 2019-04 accepting the Reassessment Report and ordering the reassessments to be levied per the Report prepared by NBS Government Finance Group; and, Resolution 2019-05 approving the issuance of the Bonds, the documents related to the issuance of the Bonds, and officially designating the finance team.

DISCUSSION

The District's Wastewater Assessment District No. 1 (the "Assessment District") was formed in 2001 in accordance with the Municipal Improvement Act of 1913. The Assessment District originally included 5,079 parcels, but the fiscal year 2018-19 assessment levy included only 4,188 parcels due to prepayments and certain adjustments. The predominant land use in the Assessment District is single-family housing. The fiscal year 2018-19 aggregate assessed value of parcels in the Assessment District is \$1,387,678,320, providing for an aggregate assessed value to lien of approximately 123 times. Approximately 83% of the Assessment District is developed with structures, mainly single family homes.

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In 2002, the District issued Assessment Bonds in the initial principal amount of \$17,990,000 (the "2002 Bonds") to finance certain public wastewater improvements in the Assessment District. These are the Assessment Bonds that the District is seeking approval to refund. The 2002 Bonds are callable any interest payment date at par (no premium).

The District has determined that, due to favorable interest rates and resultant fiscal impacts listed below, it is in the best interest of the owners of land in the Assessment District to refund the 2002 Bonds (the "Refunding") through the issuance of Limited Obligation Refunding Bonds (the "Bonds").

In early November, the District's Finance Advisory Committee (FAC) began actively exploring the District's options for the Refunding. This process involved contacting numerous financial consultants that were familiar with the 2002 Bonds, including multiple municipal advisory firms and an underwriting firm. At the December 3rd FAC meeting, a refinancing analysis of the 2002 Bonds was reviewed. Following due consideration and discussion, FAC made their recommendation to present the Refunding to the full Board. At the December 6th Board meeting, the Board approved moving forward with the Refunding and engaging the services of a municipal advisor and bond counsel firm to initiate the process, with a resolution to that effect to be presented at the Board's January 10, 2019 meeting.

FISCAL IMPACT

The fiscal impact of the Refunding provides multiple benefits to the District and the Assessment District.

Savings from the Refunding will benefit property owners within the Assessment District. In September of 2006, the District used \$714,268 of the 2002 Bond reserve fund to cover amounts the District had spent from the redemption fund of the 2002 Bonds. As part of the bankruptcy settlement, the District agreed with the bond insurer (MBIA) to pay back the 2002 Bond reserve fund with a portion of its bond administration fees plus \$25,000 annually from the District's general fund. As of June 30, 2018, the District still owed \$247,334. The District deferred the payment in fiscal year 2018 and is scheduled to make a double payment of \$50,000 in 2019. However, the Refunding would eliminate this obligation all together. The impact of this will be to save the District from making the \$50,000 budgeted for 2018-19 and budgeting and making the \$25,000 payments over the next 8 years.

There is currently a greater amount outstanding on the 2002 Bonds than is available to collect from the remaining assessment liens on the property in the Assessment District. This has created a debt variance that could result in a default on the 2002 Bonds. The Refunding would reconcile/eliminate this debt variance.

Based on a recent refinancing analysis conducted on December 21st, and after allowing for elimination of the debt variance mentioned above, the average annual savings by reason of the refunding of the 2002 Bonds are estimated at over \$100,000, and the total savings over the life of the bonds are estimated at over \$1,370,000. Net present value savings are estimated at over \$1,035,000, or 8.60%.

REFUNDING DOCUMENTS

Each document required for the Refunding will be executed or entered into pursuant to the Resolutions Authorizing the Issuance of the Bonds. The attached Resolution Authorizing the Issuance of the Bonds authorizes the officers of the District to execute the documents needed to accomplish the purposes of the Refunding.

The following documents must be executed in order to complete the Refunding:

Fiscal Agent Agreement: The Bonds will be issued pursuant to a Fiscal Agent Agreement between the District and U.S. Bank National Association as fiscal agent. The Fiscal Agent Agreement describes the terms of the Bonds, as well as provisions relating to the redemption, prepayment, defeasance, default and amendment of or to the Bonds, including conditions under which delinquent property owners will be subject to foreclosure.

Escrow Agreement: The District will have an Escrow Agreement appointing U.S. Bank National Association as the escrow bank, establishing an escrow fund and specifying how funds will be used to decrease the 2002 Bonds. The 2002 Bonds will be called for redemption on March 2, 2019.

Bond Purchase Agreement: The Bonds will be sold to Brandis Tallman, LLC (the "Underwriter") pursuant to the terms of a Bond Purchase Agreement between the District and the Underwriter. The parameters set forth in the Resolution Authorizing Issuance of the Bonds included a not-to-exceed true interest cost of 5.0% and a not-to-exceed Underwriter's discount of 3.00%.

Preliminary Official Statement: The Bonds will be offered for sale to investors pursuant to a Preliminary Official Statement ("POS"). The POS describes the Bonds, the relative risks associated with a purchase of the Bonds and other necessary information pertinent to investors. This includes representations related to the security for the Bonds, and finances of the District related to the Assessment District.

The District is required to review the POS to ensure it provides to prospective Bondholders all material information relevant to the Bonds and that it does not omit anything relevant to a Bondholder's decision to purchase Bonds. The POS is included with this report. Material found within the Preliminary Official Statement which will be converted into a

Final Official Statement following the sale of the Bonds to the Underwriter is subject to Rule 15c2-12 of the Securities Exchange Act of 1934 and other laws regulating the offering of municipal securities such as the Bonds.

Continuing Disclosure Agreement: The District will enter into a Continuing Disclosure Agreement for the purpose of complying with continuing disclosure obligations under Rule 15c2-12 of the Securities Exchange Act of 1934. The Continuing Disclosure Agreement requires the District to provide an annual disclosure report regarding certain aspects of the Assessment District and the Bonds, as well as notice of certain "material events" described therein. NBS Government Finance Group will assist the District in preparing the annual report and will serve as Dissemination Agent under the Continuing Disclosure Agreement.

SENATE BILL 450 ANALYSIS

Per the requirements of SB 450, the proposed Refunding will be in the approximate par amount of \$10,460,000 with a final maturity of September 2, 2033 at an estimated true interest cost of 3.44%. Bond proceeds to be deposited into the escrow are estimated at \$11,080,000 with approximately \$345,000 to be deposited into the Cost of Issuance Fund/pay Underwriter's discount. The average annual debt service is approximately \$1,050,000 and the maximum annual debt service is \$1,054,500. The total payment including all debt service payments and projected fees and charges paid to third parties to the final maturity of the Refunding in 2033 is estimated at \$14,990,000. These amounts are good faith estimates based on market conditions as of December 21, 2018 provided by the Underwriter and the actual amounts locked in at pricing may vary.

APPROVAL OF RESOLUTIONS

Resolution 2019-03 – As referenced on the first page of the staff report, expresses the intent to levy revised assessments on the property in the Assessment District to provide funds to pay the debt service on the Bonds and orders the preparation of a Reassessment Report.

Resolution 2019-04 – Accepts the reassessment Report and orders the reassessments to be levied per the Report prepared by NBS Government Finance Group.

Resolution 2019-05 – Approves the issuance of the Bonds, the documents related to the issuance of the Bonds, and officially designates the finance team.

NEXT STEPS

If the Board adopts the three Resolutions being presented, the following next steps will be taken to complete the Refunding:

- Credit Rating Presentation with Standard & Poor's - January 14th
- Receive Credit Rating from Standard & Poor's - January 18th
- Post and distribute the Preliminary Official Statement to prospective Bond investors - January 22nd
- Underwriter prices and purchases the Refunding Bonds from the District - January 31st
- Close Refunding - February 15th
- Redeem the 2002 Bonds - March 2nd

If the Board does not adopt the resolutions being presented, then no further actions will be taken in association with the Refunding, the debt variance will remain, and no savings will be realized by the property owners or the District.

BUDGET IMPACT

None. Costs will be paid from assessments and Bond proceeds.

Attachments:

1. Resolution 2019-03 of Intention to Levy Reassessments
2. Resolution 2019-04 Adopting Reassessment Report
3. Resolution 2019-05 Authorizing Issuance of Reassessment Bonds
4. Fiscal Agent Agreement
5. Escrow Agreement
6. Supplement No. 3 to Authorizing Resolution
7. Bond Purchase Agreement
8. Preliminary Official Statement

RESOLUTION NO. 2019-03

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT
OF INTENTION TO LEVY REASSESSMENTS AND TO ISSUE REFUNDING BONDS UPON THE
SECURITY THEREOF, RELATING TO WASTEWATER ASSESSMENT DISTRICT NO. 1**

WHEREAS, in order to finance certain public wastewater improvements, the Los Osos Community Services District (the "District") conducted special assessment proceedings pursuant to Resolution of Intention No. 2001-02, adopted by the Board of Directors on February 15, 2001 (the "Prior Resolution of Intention"), and by those proceedings the District confirmed unpaid assessments upon the parcels in the District's Wastewater Assessment District No. 1 (the "Assessment District"), and special assessment bonds entitled "Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds" in the initial principal amount of \$17,990,000 (the "Prior Bonds") were issued and delivered, and the outstanding Prior Bonds are secured by the unpaid assessments; and

WHEREAS, due to the current low interest rates in the public debt market the future assessment levies on the parcels of property in the Assessment District may be reduced by means of the refunding of the Prior Bonds, and this Board of Directors intends to accomplish the refunding through the levy of reassessments and the issuance of refunding bonds upon the security thereof; and

WHEREAS, District Staff, working with various consultants, have caused to be prepared the documents needed for the refunding, and the Board of Directors now desires to proceed with the actions needed to reassess the property in the Assessment District and issue bonds to refund the outstanding Prior Bonds, all with the purpose and intent of reducing the annual assessment levies on property in the Assessment District.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF LOS OSOS COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE, DECLARE AND DETERMINE AN ORDER AS FOLLOWS:

1. Proceedings for the levy and collection of reassessments as security for the issuance and payment of refunding bonds the proceeds of which are to be used to refund the Prior Bonds shall be conducted for the Assessment District pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, constituting Division 11.5 (commencing with Section 9500) of the California Streets and Highways Code (the "Act").
2. The contemplated reassessment and refunding is of more than local or ordinary public benefit, and the costs and expenses thereof are made chargeable upon the Assessment District the exterior boundaries of which are shown on the reassessment diagram referred to in clause (e) of Section 3 below.
3. The reassessment and refunding is hereby referred to NBS Government Finance Group, a qualified firm employed by the District for the purpose of the reassessment proceedings, and said firm is hereby directed to make and file with the Secretary to the Board a report in writing presenting the following:
 - (a) A schedule setting forth the unpaid principal and interest on the Prior Bonds and the total amounts thereof.
 - (b) The total estimated principal amount of the reassessment and of the refunding bonds and the maximum interest rate thereon, together with an estimate of cost of the reassessment and of issuing the refunding bonds, including all costs of issuing the refunding bonds, as contemplated by subdivision (a) of Section 9600 of the Act.
 - (c) The auditor's record kept pursuant to Section 8682 of the California Streets and Highways Code showing the schedule of principal installments and interest on all unpaid original assessments and the total amounts thereof.
 - (d) The estimated amount of each reassessment, identified by reassessment number corresponding to the reassessment number on the reassessment diagram, together with a proposed auditor's record for the reassessment prepared in the manner described in said Section 8682.

(e) A reassessment diagram showing the Assessment District and the boundaries and dimensions of the subdivisions of land within the Assessment District. Each subdivision, including each separate condominium interest as defined in Section 783 of the California Civil Code, shall be given a separate number upon the diagram.

When any portion or percentage of the costs and expenses of the refunding and reassessment is to be paid from sources other than reassessments, the amount of such portion or percentage shall first be deducted from the total estimated cost and expenses of the refunding and reassessment, and the reassessments shall include only the remainder of the estimated cost and expenses.

It is hereby acknowledged that delinquencies in the payment of assessments previously levied on parcels in the Assessment District that are not fully cured by the date hereof will not in any way be supplanted or extinguished by these proceedings.

4. If any excess shall be realized from the reassessments it shall be used in such amounts as the Board of Directors may determine, in accordance with the provisions of applicable law, and in a manner to be provided in these reassessment proceedings.

5. Notice is hereby given that serial and/or term refunding bonds to represent reassessments, and to bear interest at an average interest rate of not in excess of four and 9/10ths percent (4.9%) per annum, will be issued in the manner provided by the Act, the last installment of which refunding bonds shall mature not later than September 2, 2033. It is the intention of the Board of Directors that the District will not obligate itself to advance available funds from the treasury of the District to cure any deficiency in the redemption fund to be created with respect to the refunding bonds; provided, however, that a determination not to obligate the District shall not prevent the District from, in its sole discretion, so advancing the funds.

6. The provisions of Part 11.1 of Division 10 of the California Streets and Highways Code, providing for an alternative procedure for the advance payment of reassessments and the calling of bonds, shall apply to the refunding bonds to be issued pursuant to the reassessment proceedings.

7. It is the intention of the Board of Directors to create a special reserve fund pursuant to and as authorized by Part 16 of Division 10 of the California Streets and Highways Code with respect to the refunding bonds.

8. For purposes of the proceedings pursuant to this Resolution, the General Manager is hereby designated as the "Superintendent of Streets" for the District.

9. This Resolution shall take effect upon its adoption.

On the motion of Director _____, second by Director _____, and on the following roll call vote, to wit:

Ayes: _____

Noes: _____

Absent: _____

Conflicts: _____

The foregoing resolution is hereby passed, approved, and adopted by the Board of Directors of the Los Osos Community Services District this 10th day of January 2019.

President, Board of Directors
Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

Renee Osborne
General Manager and Secretary to the Board

Roy A. Hanley
District Legal Counsel

RESOLUTION NO. 2019-04

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT
ADOPTING REASSESSMENT REPORT FOR THE LOS OSOS COMMUNITY SERVICES DISTRICT
WASTEWATER ASSESSMENT DISTRICT NO. 1, CONFIRMING AND ORDERING THE
REASSESSMENTS AND AUTHORIZING AND DIRECTING ACTIONS WITH RESPECT THERETO**

WHEREAS, the Board of Directors has adopted a Resolution of Intention to Levy Reassessments and to Issue Refunding Bonds Upon the Security Thereof, Relating to Wastewater Assessment District No. 1 (the "Resolution of Intention"), wherein the Board of Directors directed the making and filing of a reassessment report (the "Report") in accordance with and pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, constituting Division 11.5 of the California Streets and Highways Code (the "Act"); and

WHEREAS, the Board of Directors has determined that in order to reduce future assessment levies on property in the Los Osos Community Services District's Wastewater Assessment District No. 1 (the "Assessment District") it is desirable that the outstanding Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds (the "Prior Bonds") issued for the Assessment District be refunded and reassessments be levied as security for limited obligation refunding bonds the proceeds of which will be used to refund the Prior Bonds; and

WHEREAS, the Report was duly made and filed with the Secretary to the Board, and the Report has been duly considered by the Board of Directors with the assistance of District Staff and found to be sufficient in every particular, and the Report shall stand for all subsequent proceedings under and pursuant to the Resolution of Intention; and

WHEREAS, the District desires to issue refunding bonds (the "Refunding Bonds") for the Assessment District pursuant to the Act, the proceeds of which Refunding Bonds will be used to refund the outstanding Prior Bonds.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF LOS OSOS COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE, DECLARE AND DETERMINE AN ORDER AS FOLLOWS:

1. Pursuant to Section 9525 of the Act, and based upon the Report, the Board of Directors finds that all of the following conditions are satisfied:

(a) each estimated annual installment of principal and interest on the reassessment, as set forth in the Report, is less than the corresponding annual installment of principal and interest on the portion of the original assessment being superseded and supplanted as also set forth in the Report, by the same percentage for all subdivisions of land with the District;

(b) the number of years to maturity of the Refunding Bonds proposed to be issued is not more than the number of years to the last maturity of the Prior Bonds; and

(c) the principal amount of the reassessment on each subdivision of land within the Assessment District is less than the unpaid principal amount of the portion of the original assessment being superseded and supplanted by the same percentage for each subdivision of land within the Assessment District (with any amount added to a reassessment because of a delinquency in payment of the original assessment not being considered in this calculation).

2. The public interest, convenience and necessity require that the reassessment be made.

3. The land in the Assessment District benefited by the reassessment and to be reassessed to pay the costs and expenses thereof, and the exterior boundaries thereof, are as shown by the reassessment diagram a copy of which is attached to the Report, which reassessment diagram is made a part of this Resolution by this reference thereto.

4. Pursuant to the findings above with respect to Section 9525 of the Act, the conditions set forth therein for the reassessment are deemed satisfied and the following elements of the Report are hereby finally approved and confirmed without further proceedings, including without the conduct of a public hearing under the Act:

(a) a schedule setting forth the unpaid principal and interest on the Prior Bonds to be refunded and the total amounts thereof;

(b) an estimate of the total principal amount of the reassessment and of the Refunding Bonds and the maximum interest rate thereon, together with an estimate of cost of the reassessment and of issuing the Refunding Bonds, including expenses incidental thereto;

(c) the auditor's record kept pursuant to Section 8682 of the California Streets and Highways Code showing the respective schedule of principal installments and interest on all unpaid original assessments and the total amounts thereof;

(d) the estimated amount of each reassessment, identified by reassessment number corresponding to the reassessment number of the reassessment diagram, together with a proposed auditor's record for the reassessment prepared in the manner described in said Section 8682; and

(e) a reassessment diagram showing the Assessment District and the boundaries and dimensions of the subdivisions of land therein, assigning a separate number to each such subdivision of land.

Final adoption and approval of the Report as a whole, including the estimate of the costs and expenses, the reassessment diagram and the reassessment, as contained in the Report, as hereinabove determined and ordered, is intended to and shall refer and apply to the Report, or any portion thereof, as amended, modified, revised or corrected by, or pursuant to and in accordance with, any resolution or order, if any, duly adopted or made by this Board of Directors, or by the General Manager as authorized pursuant to Sections 6 and 9 below.

5. Based on the oral and documentary evidence, including the Report, offered and received by the Board of Directors, the Board of Directors expressly finds and determines:

(a) that each of said several subdivisions of land within the Assessment District will be specially benefited by the reassessment at least in the amount, if not more than the amount, of the reassessment apportioned against said subdivisions of land, respectively, and

(b) that there is substantial evidence to support, and the weight of said evidence preponderates in favor of, the aforesaid finding and determination as to special benefits.

6. The reassessment, including all costs and expenses thereof, is hereby approved, confirmed and levied. Pursuant to the provisions of the Act, reference is hereby made to the Resolution of Intention for further particulars. The reassessment shall be reduced in the event that the General Manager determines that to do so is necessary and advisable to further the purposes of this Resolution, and, if such determination is made, the General Manager is hereby authorized and directed to record said reduced reassessment in the manner set forth in Section 9 hereof, and to take any further actions required to finalize said reduction, without further action of this Board of Directors.

It is hereby acknowledged that delinquencies in the payment of assessments previously levied on parcels in the Assessment District that are not fully cured by the date hereof will not in any way be supplanted or extinguished by these proceedings.

7. The Secretary to the Board shall forthwith cause:

(a) the reassessment to be delivered to the General Manager of the District who the Board of Directors has designated as the Superintendent of Streets for the District, together with the reassessment diagram, as approved and confirmed by this Board of Directors, with a certificate of such confirmation and of the date thereof, executed by the Secretary to the Board, attached thereto. The Superintendent of Streets shall record the reassessments and the reassessment diagram in a suitable book to be kept for that purpose, and append thereto a certificate of the date of such recording, and such recordation shall be and constitute the reassessment roll for the Assessment District;

(b) a copy of the reassessment diagram and a notice of reassessment, in the form specified in Section 3114 of the California Streets and Highways Code and executed by the Secretary to the Board, to be filed and recorded in the office of the County Recorder of the County of San Luis Obispo; and

(c) a copy of this Resolution to be provided to the Auditor of the County of San Luis Obispo.

From the date of recording of the notice of reassessment, all persons shall be deemed to have notice of the contents of such reassessment, and each of the reassessments shall thereupon be a lien upon the property against which it is made, and, unless sooner discharged, such liens shall so continue for the period of ten (10) years from the date of said recordation, or in the event bonds are issued to represent the reassessments, until the expiration of four (4) years after the due date of the last installment upon the bonds or of the last installment of principal of the bonds.

The appropriate officer or officers of the District are hereby authorized to pay any and all fees required by law in connection with the above.

8. The General Manager shall keep, or cause to be kept, the record showing the several installments of principal and interest on the reassessments which are to be collected each year during the term of the Refunding Bonds. An annual apportionment of each reassessment, together with annual interest on said reassessment, shall be payable in the same manner and at the same time and in the same installments as the general ad valorem property taxes and shall be payable and if not paid shall become delinquent at the same time and in the same proportionate amount. Each year the annual installments shall be submitted to the County Auditor-Controller for purposes of collection, and the County Auditor-Controller shall, at the close of the tax collecting period, promptly render to the General Manager a detailed report showing the amount of such installments, interest, penalties and percentages so collected.

9. The General Manager is hereby authorized and directed (a) to revise the Report to reduce the applicable reassessments, as confirmed pursuant to Section 6 hereof, if and to the extent necessary so that the aggregate amount thereof does not exceed the initial principal amount of the Refunding Bonds, (b) to amend the reassessment and reassessment diagram to reflect such reductions, and (c) to promptly record the reassessment, together with the reassessment diagram, as so amended, in the office of the Superintendent of Streets of the District. Immediately thereafter, a copy of the reassessment diagram, as so amended, shall be filed in the office of the County Recorder and a Notice of Reassessment, referring to the reassessment diagram, shall be recorded in the office of the County Recorder, all pursuant to the provisions of Division 4.5 of the California Streets and Highways Code.

10. This Resolution shall take effect upon its adoption.

On the motion of Director _____, second by Director _____, and on the following roll call vote, to wit:

Ayes: _____

Noes: _____

Absent: _____

Conflicts: _____

The foregoing resolution is hereby passed, approved, and adopted by the Board of Directors of the Los Osos Community Services District this 10th day of January 2019.

President, Board of Directors
Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

Renee Osborne
General Manager and Secretary to the Board

Roy A. Hanley
District Legal Counsel

RESOLUTION NO. 2019-05

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT
AUTHORIZING THE ISSUANCE OF LIMITED OBLIGATION REFUNDING BONDS FOR WASTEWATER
ASSESSMENT DISTRICT NO. 1, PROVIDING FOR EXECUTION OF A FISCAL AGENT AGREEMENT,
AND APPROVING AND AUTHORIZING OTHER MATTERS RELATED THERETO**

WHEREAS, the Board of Directors has adopted a Resolution of Intention to Levy Reassessments and to Issue Refunding Bonds Upon the Security Thereof, Relating to Wastewater Assessment District No. 1 (the "Resolution of Intention") pertaining to the levy and collection of reassessments as security for the issuance and payment of a series of refunding bonds for the Los Osos Community Services District (the "District") Wastewater Assessment District No. 1 (the "Assessment District"), and in the Resolution of Intention the Board of Directors provided that serial and/or term bonds would be issued pursuant to the provisions of the Refunding Act of 1984 for 1915 Act Improvement Bonds, constituting Division 11.5 of the California Streets and Highways Code (the "Act") for the Assessment District, and reference to the Resolution of Intention is hereby expressly made for further particulars; and

WHEREAS, the Board of Directors also has adopted a Resolution of the Board of Directors of the Los Osos Community Services District Adopting Reassessment Report for the Los Osos Community Services District, Wastewater Assessment District No. 1, Confirming and Ordering the Reassessments and Authorizing and Directing Actions With Respect Thereto, adopting a reassessment report (the "Report"), which Report set forth a list of the reassessments in the Assessment District which remain unpaid (the "List of Unpaid Reassessments"); and

WHEREAS, the Board of Directors has determined that, due to favorable interest rates, it is in the best interests of the owners of land in the Assessment District that bonds be issued secured by the reassessments (the "Refunding Bonds") to refund the outstanding Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds (the "Prior Bonds"); and

WHEREAS, there has been submitted to the Board of Directors an agreement (the "Fiscal Agent Agreement") providing for the issuance of the Refunding Bonds, and the Board of Directors, with the aid of District staff, has reviewed the Fiscal Agent Agreement and found it to be in proper order, and the Board of Directors now desires to approve the Fiscal Agent Agreement and the issuance of the Refunding Bonds; and

WHEREAS, there has been submitted to the Board of Directors an escrow agreement (the "Escrow Agreement") providing for the creation of a fund which will be used to refund and redeem the Prior Bonds and the Board of Directors now desires to approve the Escrow Agreement in connection with the refunding of the Prior Bonds; and

WHEREAS, there have been submitted to the Board of Directors certain documents providing for the sale of the Bonds, including the form of a Preliminary Official Statement and Bond Purchase Agreement, and the Board of Directors, with the aid of District staff, has reviewed the Preliminary Official Statement to assure proper disclosure of all material facts relating to the Bonds; and

WHEREAS, it appears that each of said documents referenced above is in appropriate form and is an appropriate document to be executed and delivered for the purpose intended; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Refunding Bonds as contemplated by this Resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF LOS OSOS COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE, DECLARE AND DETERMINE AN ORDER AS FOLLOWS:

1. The reassessments that remain unpaid are as shown on the List of Unpaid Reassessments set forth in the Report, which List of Unpaid Reassessments is hereby approved and incorporated herein by this reference; and for a particular description of the lots or parcels of land bearing the respective reassessment numbers set forth in the List of Unpaid Reassessments, reference is hereby made to the reassessment and to the diagram, and any amendments thereto, all as shown in the Report recorded in the office of the General Manager acting as Superintendent of Streets for the District.
2. Pursuant to the Act, this Resolution and the Fiscal Agent Agreement, refunding bonds designated as "Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019)" (referred to herein as the "Refunding Bonds") shall be issued in an aggregate principal amount equal to the unpaid Reassessments, but not in any event in a principal amount in excess of \$12,500,000. The Refunding Bonds shall be issued at such rate or rates of interest, in such form or forms, with such maturities and upon such provisions, covenants and conditions, all of which shall be as specified by the District pursuant to the terms of the Fiscal Agent Agreement; provided, however, no Refunding Bonds shall be authorized in excess of the total aggregate amount of the unpaid reassessments.
3. The Fiscal Agent Agreement, in the form on file with the Secretary to the Board, which Fiscal Agent Agreement contains provisions for the payment of and covenants relating to the Refunding Bonds, is hereby approved. The General Manager is hereby authorized and directed to execute the Fiscal Agent Agreement on behalf of the District in such form, together with such changes thereto as may be approved by the General Manager upon consultation with District Legal Counsel and Bond Counsel, the approval of such changes to be conclusively evidenced by the execution and delivery of the Fiscal Agent Agreement by the District.

The Board of Directors hereby approves the refunding of the Prior Bonds with the proceeds of the Refunding Bonds, in accordance with the provisions of the documents pursuant to which the Prior Bonds were sold and delivered, and an Escrow Agreement between the District and U.S. Bank National Association as the paying agent and trustee for the Prior Bonds, and as escrow bank thereunder. The Board of Directors hereby approves the Escrow Agreement in the form on file with the Secretary to the Board. The Board of Directors hereby authorizes and directs the General Manager to execute and deliver the Escrow Agreement on behalf of the District in such form, together with any changes therein or additions thereto deemed advisable by the General Manager upon consultation with Bond Counsel and District Legal Counsel, the approval of such changes to be conclusively evidenced by the execution and delivery of the Escrow Agreement by the District.

The designated costs of issuing the Refunding Bonds, which shall include any applicable costs described in Section 9600(a) of the Act, shall be paid from the proceeds of the sale of the Refunding Bonds or other funds held by the District for the benefit of the Assessment District.

4. U.S. Bank National Association is hereby designated to act as the Fiscal Agent for the Refunding Bonds and to perform the actions and duties required of the Fiscal Agent under the Fiscal Agent Agreement, including those for the authentication, transfer, registration, and payment of the Refunding Bonds. The General Manager is hereby authorized to enter into an agreement with the Fiscal Agent for its services as the Fiscal Agent under the Fiscal Agent Agreement.
5. The Bond Purchase Agreement (the "Purchase Contract"), in the form on file with the Secretary to the Board, is hereby approved. The General Manager, or the General Manager's designee, is hereby authorized and directed, for and in the name and on behalf of the District, to accept the offer of Brandis Tallman LLC (the "Underwriter") to purchase the Refunding Bonds contained in the Purchase Contract (provided that the aggregate principal amount of the Refunding Bonds sold thereby is not in excess of the principal amount approved in Section 2 above, the true interest cost on the Refunding Bonds is not in excess of 5.0% per annum and the underwriter's discount is not in excess of 3.0% of the principal amount of the Refunding Bonds) and to execute and deliver the Purchase Contract in said form, with such additions thereto or changes therein as are recommended or approved by the officer executing said document for the District upon consultation with District Legal Counsel and Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the District of the Purchase Contract.
6. The Board of Directors hereby approves the preliminary official statement for the Refunding Bonds (the "Preliminary Official Statement") in the form on file with the Secretary to the Board, together with any changes

therein or additions thereto deemed advisable by the General Manager upon consultation with Disclosure Counsel. The Board of Directors authorizes and directs the General Manager, on behalf of the District, to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") the Preliminary Official Statement prior to its distribution by the Underwriter to prospective purchasers of the Refunding Bonds.

The Underwriter, on behalf of the District, is authorized and directed to cause the Preliminary Official Statement to be distributed to such municipal bond broker-dealers, to such banking institutions and to such other persons as may be interested in purchasing the Refunding Bonds.

The General Manager is authorized and directed to assist the Disclosure Counsel in causing the Preliminary Official Statement to be brought into the form of final official statement (the "Final Official Statement"), and the General Manager is hereby authorized and directed to execute the Final Official Statement. The General Manager, or the General Manager's designee, is hereby authorized and directed to execute a statement that the facts contained in the Final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purposes of such statement) were, at the time of sale of the Refunding Bonds, true and correct in all material respects and that the Final Official Statement did not, on the date of sale of the Refunding Bonds, and do not, as of the date of delivery of the Refunding Bonds contain any untrue statement of material fact or omit to state material facts required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The execution and delivery by the District of the Final Official Statement, which shall include such changes and additions thereto deemed advisable by the General Manager and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Final Official Statement by the District.

7. The General Manager is hereby authorized and directed to approve and execute a continuing disclosure agreement for the Refunding Bonds in the form attached to the Preliminary Official Statement. The execution by the District of such disclosure agreement shall be conclusive evidence of approval by the District of any such disclosure agreement.

8. The person serving as treasurer of the District is hereby authorized and directed to execute, and the Secretary to the Board is hereby authorized and directed to attest, the Refunding Bonds in the form provided in the Fiscal Agent Agreement. The Refunding Bonds, when executed, shall be delivered to the Fiscal Agent for authentication. The Fiscal Agent is hereby requested and directed to authenticate the Refunding Bonds by executing the Fiscal Agent's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchaser of the Refunding Bonds.

9. The Supplement No. 3 to Authorizing Resolutions ("Supplement No. 3"), which Supplement No. 3 amends the resolution pursuant to which the Prior Bonds were issued, in the form on file with the Secretary to the Board, is hereby approved. The General Manager is hereby authorized and directed to execute Supplement No. 3 on behalf of the District in such form, together with such changes thereto as may be approved by the General Manager upon consultation with District Legal Counsel and Bond Counsel, the approval of such changes to be conclusively evidenced by the execution and delivery of Supplement No. 3 by the District.

10. The law firm of Quint & Thinnig LLP is hereby designated as bond counsel and as disclosure counsel to the District, and the firm of Wulff, Hansen & Co. is hereby designated as municipal advisor to the District, each in connection with the issuance and sale of the Refunding Bonds and the redemption of the Prior Bonds. The General Manager is hereby authorized and directed to execute an agreement with each such firm for its services with respect to the Refunding Bonds and the redemption of the Prior Bonds, as approved by the General Manager upon consultation with District Legal Counsel; provided that any and all compensation payable to such firms shall be contingent upon the sale and issuance of the Refunding Bonds and shall be payable solely from the proceeds of the Refunding Bonds.

11. The President, the General Manager, the Administrative Services Manager, the Secretary to the Board and any other officers or staff of the District are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the issuance, sale and delivery of the Refunding Bonds and the refunding of the Prior Bonds in accordance with the provisions of this Resolution and as described in the Fiscal Agent Agreement and the Escrow Agreement.

12. This Resolution shall take effect upon its adoption.

On the motion of Director _____, second by Director _____,
and on the following roll call vote, to wit:

Ayes: _____

Noes: _____

Absent: _____

Conflicts: _____

The foregoing resolution is hereby passed, approved, and adopted by the Board of Directors of the Los Osos Community Services District this 10th day of January 2019.

President, Board of Directors
Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

Renee Osborne
General Manager and Secretary to the Board

Roy A. Hanley
District Legal Counsel

FISCAL AGENT AGREEMENT

by and between the

LOS OSOS COMMUNITY SERVICES DISTRICT

and

**U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent**

dated as of February 1, 2019

relating to:

\$_____

**Los Osos Community Services District
Limited Obligation Refunding Bonds
Wastewater Assessment District No. 1
(Reassessment and Refunding of 2019)**

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EXHIBIT A FORM OF BOND

FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement"), dated as of February 1, 2019, is by and between the LOS OSOS COMMUNITY SERVICES DISTRICT, a community services district organized and existing under the laws of the State of California (the "District"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent").

RECITALS:

WHEREAS, on February 15, 2001, the Board of Directors of the District adopted Resolution No. 2001-02 relating to the acquisition and construction of certain public wastewater improvements under and pursuant to the provisions of the Municipal Improvement Act of 1913, constituting Division 12 of the California Streets and Highways Code (the "Formation Act") in and for the District's Wastewater Assessment District No. 1 (the "Assessment District"), and by said Resolution the Board of Directors of the District provided that serial and/or term bonds would be issued for the Assessment District pursuant to the provisions of the Improvement Bond Act of 1915, constituting Division 10 of the California Streets and Highways Code (the "Bond Law"); and

WHEREAS, under the Formation Act and the Bond Law, on August 15, 2002, the Board of Directors of the District adopted Resolution No. 2002-37 and, pursuant to said Resolution, bonds designated "Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds," in the principal amount of \$17,990,000 (the "Prior Bonds") were issued on November 7, 2002 upon the security of assessments levied in the Assessment District, and a portion of the Prior Bonds are now outstanding; and

WHEREAS, on January 10, 2019, the Board of Directors of the District adopted Resolution No. _____ (the "Resolution of Intention") which, among other matters, commenced proceedings for the levy of reassessments and issuance of refunding bonds pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, constituting Division 11.5 (commencing with Section 9500) of the California Streets and Highways Code (the "Act") for the Assessment District and, by the Resolution of Intention, the Board of Directors provided that serial and/or term limited obligation refunding bonds of the District (the "Bonds") would be issued for the Assessment District pursuant to the provisions of the Act, and reference to the Resolution of Intention and proceedings thereunder is hereby expressly made for further particulars; and

WHEREAS, the purpose of the proceedings under the Resolution of Intention was to provide for the reassessment of the property in the Assessment District and for the refunding of the Prior Bonds in advance of the scheduled maturities thereof with the proceeds of the Bonds; and

WHEREAS, there is now on file in the office of the Treasurer (as defined herein) a list of the reassessments remaining unpaid for the Assessment District; and

WHEREAS, on January 10, 2019, the Board of Directors of the District adopted Resolution No. _____ (the "Resolution of Issuance") authorizing, among other matters, the issuance of the Bonds designated "Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019)", the net proceeds of which are to be used to refund the Prior Bonds; and

WHEREAS, it is in the public interest and for the benefit of the District and the owners of the Bonds that the District enter into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the reassessments securing the Bonds and the administration and payment of the Bonds; and

WHEREAS, the District has determined that all things necessary to cause the Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution of Issuance and this Agreement, to be legal, valid and binding and limited obligations of the District in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

A G R E E M E N T :

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the provisions of the Act, the Bond Law and the Resolution of Issuance.

Section 1.02. Agreement for Benefit of Bondowners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the District shall be for the equal benefit, protection and security of the registered owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement. The Fiscal Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement (as herein defined), and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to Articles, Sections and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words herein, "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"Act" means the Refunding Act of 1984 for 1915 Improvement Act Bonds, as amended, constituting Division 11.5 of the California Streets and Highways Code.

"Administrative Expense Fund" means the fund by that name established and administered under Section 4.05 hereof.

"Agreement" means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement executed pursuant to the provisions hereof.

"Assessment District" means the area within the District designated "Wastewater Assessment District No. 1" formed by the District under the Municipal Improvement Act of 1913.

"Auditor" means the auditor/controller or tax collector of the County, or such other official of the County who is responsible for preparing real property tax bills.

"Authorized Investments" means any of the following, to the extent acquired at Fair Market Value: (i) securities in which the District may legally invest funds subject to its control, pursuant to Article 1, commencing with section 53600, of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code of the State, as now or hereafter amended, (ii) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended, including but not limited to the California Arbitrage Management Program (CAMP); (iii) the Local Agency Investment Fund of the State, created pursuant to Section 156429.1 of the Government Code of the State, (iv) Federal Securities, (v) investments in a money market fund (including any funds of the Fiscal Agent or its affiliates) registered with the Securities and Exchange Commission rated in the highest rating category (without regard to plus (+) or minus

(-) designations) by Moody's Investors Service or Standard and Poor's Ratings Group, and (vi) any other investment permitted under the District's then current investment policy.

"Authorized Officer" means the President of the Board of Directors of the District, the General Manager of the District, the Administrative Services Manager of the District, the Treasurer, the Secretary to the Board of Directors of the District, or any other officer or employee of the District authorized by the Board of Directors of the District or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

"Bond" or "Bonds" means the "Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019)," at any time Outstanding under this Agreement or any Supplemental Agreement.

"Bond Counsel" means (i) Quint & Thimmig LLP, or (ii) any attorney or firm of attorneys acceptable to the District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Date" means the dated date of the Bonds, which is the Closing Date.

"Bond Law" means the Improvement Bond Act of 1915, as amended, constituting Division 10 of the California Streets and Highways Code.

"Bond Register" means the books maintained by the Fiscal Agent pursuant to Section 2.09 for the registration and transfer of ownership of the Bonds.

"Bond Year" means the twelve-month period beginning on September 3 in each year and ending on September 2 in the following year except that the first Bond Year shall begin on the Closing Date.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

"Closing Date" means February __, 2019, being the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable, temporary and final regulations promulgated under the Code.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement pertaining to the Bonds, dated as of February 1, 2019, between the District and NBS Government Finance Group, as Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the District and related to the authorization, sale and issuance of the Bonds and the refunding of the Prior Bonds, which items of expense shall include, but not be limited to, printing costs for the Bonds, costs of reproducing and binding documents, closing costs, filing and recording fees, fees and expenses of the District, initial fees and charges of the Fiscal Agent

including its first annual administration fee, underwriter's discount, legal fees and charges, including those of bond counsel, disclosure counsel, counsel to the District, municipal advisor and reassessment engineer fees and expenses, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established and administered under Section 4.03 hereof.

"County" means the County of San Luis Obispo, California.

"Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year.

"District" means the Los Osos Community Services District, and any successor thereto.

"District Counsel" means the General Counsel to the District or other designated counsel to the District with respect to the Assessment District.

"DTC" means The Depository Trust Company and any successor thereto.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.14.

"Escrow Agreement" means the Escrow Agreement, dated as of February 1, 2019, by and between the District and the Escrow Bank by which the Escrow Fund is administered.

"Escrow Bank" means U.S. Bank National Association, in its capacity as the Escrow Bank under the Escrow Agreement.

"Escrow Fund" means the fund by that name established pursuant to Section 2 of the Escrow Agreement to provide for the refunding of the Prior Bonds, as referred to in Section 4.02 hereof.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "fair market value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the code, or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State for funds held by the Fiscal Agent: (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing

which are commonly referred to as stripped obligations and coupons; or (ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

“Fiscal Agent” means the Fiscal Agent appointed by the District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01 hereof.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Formation Act” means the Municipal Improvement Act of 1913, as amended, being Division 12 of the California Streets and Highways Code.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>); and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to the Bonds as the District may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Initial Reserve Fund Deposit” means an amount equal to \$ _____, to be deposited in the Reserve Fund on the Closing Date.

“Interest Payment Dates” means March 2 and September 2 of each year, commencing September 2, 2019.

“List of Unpaid Reassessments” means the list on file with the Treasurer showing the amounts of the Reassessments upon each of the parcels in the Assessment District.

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

“Maximum Reserve Amount” means, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial principal amount of the Bonds, (b) the Maximum Annual Debt Service, and (c) one hundred twenty-five percent (125%) of the Annual Debt Service for the then Outstanding Bonds.

“Officer’s Certificate” means a written certificate of the District signed by an Authorized Officer of the District.

“Original Purchaser” means Brandis Tallman LLC, as the first purchaser of the Bonds from the District.

“Outstanding” when used as of any particular time with reference to Bonds, means, subject to the provisions of Section 8.04, all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; (iii) Bonds in lieu of or in substitution for

which other Bonds shall have been authorized, executed, issued and delivered by the District pursuant to this Agreement or any Supplemental Agreement.

“Owner” or “Bond Owner” means the registered owner of any Outstanding Bond as shown on the Bond Register.

“Principal Office” means the principal office of the Fiscal Agent in Los Angeles, California, located at such address as shall be specified in a written notice by the Fiscal Agent to the District under Section 9.06 hereof or such other office designated for payment, transfer or exchange of bonds.

“Prior Bonds” means the Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds, issued pursuant to the Prior Resolution.

“Prior Resolution” means Resolution No. 2002-33 adopted by the Board of Directors of the District on August 15, 2002, pursuant to which the Prior Bonds were issued, as amended and supplemented and in effect on the Closing Date.

“Prior Resolution of Intention” means Resolution No. 2001-02 adopted by the Board of Directors of the District on February 15, 2001, declaring its intention to form the Assessment District.

“Project” means the improvements authorized to be financed by the District under the proceedings pursuant to the Prior Resolution of Intention.

“Reassessments” means the unpaid reassessments levied within the Assessment District by the District under the proceedings taken pursuant to the Act and the Resolution of Intention.

“Record Date” means the fifteenth (15th) day of the month immediately preceding the month in which the applicable Interest Payment Date occurs.

“Redemption Fund” means the fund by that name established and administered under Section 4.01 hereof.

“Reserve Fund” means the fund by that name established and administered under Section 4.04 hereof.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the Initial Reserve Fund Deposit, plus any investment earnings on amounts in the Reserve Fund; not to exceed, in any event, the Maximum Reserve Amount.

“Resolution of Intention” means Resolution No. _____, adopted by the Board of Directors of the District on January 10, 2019.

“Resolution of Issuance” means Resolution No. _____, adopted by the Board of Directors of the District on January 10, 2019, authorizing, among other matters, the issuance of the Bonds.

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Board of Directors of the District under the Bond Law and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Treasurer” means the General Manager of the District, acting in the capacity of treasurer of the District.

ARTICLE II

THE BONDS

Section 2.01. Principal Amount; Designation. Bonds in the aggregate principal amount of _____ Million _____ Hundred _____ Thousand Dollars (\$_____) are hereby authorized to be issued by the District under and subject to the terms of the Resolution of Issuance and this Agreement, the Act and other applicable laws of the State of California. The Bonds shall be designated "Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019)," and shall be secured by the Reassessments, and moneys in the Redemption Fund and the Reserve Fund.

Section 2.02. Terms of Bonds.

(A) Denominations. The Bonds shall be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent.

(B) Date of Bonds. The Bonds shall be dated the Bond Date.

(C) CUSIP Identification Numbers. "CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the District or the Fiscal Agent to use such CUSIP number in any notice to Owners shall not constitute an event of default or any violation of the District's contract with such Owners and shall not impair the effectiveness of any such notice

(D) Maturity. The Bonds shall mature and become payable on September 2, in each of the years, and shall bear interest at the rates per annum as follows:

Maturity Date (September 2)	Principal Amount	Interest Rate
_____	_____	_____

(E) Interest. The Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated and registered on an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Bond Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed by first class mail on an Interest Payment Date to the registered Owner thereof at such registered Owner's address as it appears on the Bond Register maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, with any such instructions to remain in effect until rescinded in writing by the respective Owner. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the District, issue a certificate of destruction of such Bonds to the District.

Section 2.03. Redemption.

(A) (i) Mandatory Redemption From Property Owner Prepayments of Reassessments. Each Bond, or any portion of the principal thereof in the principal amount of \$5,000 or any integral multiple of \$5,000 in excess thereof, may be redeemed and paid in advance of maturity from prepayments of Reassessments by property owners under Sections 8766 or 8766.5 of the California Streets and Highways Code, on any Interest Payment Date in any year by giving at least 30 days notice to the Owners thereof in accordance with the Bond Law 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 a percentage of the principal amount of Bonds being redeemed as follows:

<u>Redemption Dates</u>	<u>Redemption Premium</u>
any Interest Payment Date through March 2, ____	%
September 2, ____ and March 2, ____	
September 2, ____ and March 2, ____	
September 2, ____ and any Interest Payment Date thereafter	

The Treasurer shall notify the Fiscal Agent of Bonds to be called for redemption upon prepayment of Reassessments in amounts sufficient therefor and consistent with the provisions of Part 11.1 (commencing with Section 8760 of the California Streets and

Highways Code) of the Bond Law. Within each annual series, the Fiscal Agent shall select Bonds for retirement by lot.

(ii) Optional Redemption. The Bonds maturing on or after September 2, ____ are subject to optional redemption prior to their stated maturity on any Interest Payment Date occurring on or after September 2, ____, as a whole, or in part in an amount equal to \$5,000 or any integral multiple thereof and among maturities so as to maintain substantially level debt service on the Bonds, and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

Redemption Dates	Redemption Prices
September 2, ____ and March 2, ____	%
September 2, ____ and March 2, ____	
September 2, ____ and March 2, ____	
September 2, ____ and any Interest Payment Date thereafter	

(iii) Mandatory Sinking Payment Redemption. The Bonds maturing on September 2, ____, are subject to mandatory redemption in part by lot, on September 2 in each year commencing September 2, ____ from sinking fund payments made by the District from the Redemption Fund pursuant to Section 4.01, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 2 in the respective years, all as set forth in the following table; provided, however, if some but not all of the Bonds maturing on September 2, ____, have been redeemed pursuant to subsection (i) or (ii) above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of Bonds maturing on September 2, ____, so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 as determined by the Treasurer, notice of which determination shall be given by the Treasurer to the Fiscal Agent.

Sinking Fund Payment Date (September 2)	Sinking Fund Payment Amount
[to come]	

(B) Notice to Fiscal Agent. The Treasurer shall give the Fiscal Agent written notice of the aggregate amount of Bonds to be redeemed pursuant to subsection (A)(i) or (ii) not less than forty-five (45) days prior to the applicable redemption date, or such lesser number of days as the Fiscal Agent may allow.

(C) Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of redemption to be mailed to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Bond Register in the Principal Office of

the Fiscal Agent; provided that, in any event, the failure to so mail or of any person or entity to receive any such notice, or any defect in any notice of redemption, shall not affect the validity of the proceeding for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the Bond numbers of the Bonds to be redeemed by giving the individual Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds, or the portion thereof to be redeemed, will not accrue from and after the redemption date.

Notwithstanding the foregoing, any notice of redemption of Bonds under Section 2.03(A)(i) or (ii) may state that the redemption is conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the redemption shall not occur if by no later than the scheduled redemption date sufficient moneys to redeem the Bonds have not been deposited with the Fiscal Agent. In the event that the Fiscal Agent does not receive sufficient funds by the scheduled redemption date to so redeem the Bonds to be redeemed, the Fiscal Agent shall send written notice to the owners of the Bonds to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of redemption was given shall remain Outstanding for all purposes of this Agreement.

Upon the payment of the redemption price of the Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in this Agreement for the redemption of less than all of the Bonds, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among maturities as directed in writing by the Treasurer (who shall specify Bonds to be redeemed so as to maintain substantially level debt service on the Bonds), and by lot within a maturity in any manner which the Fiscal Agent deems appropriate.

Upon surrender of Bonds redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the District, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(D) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Redemption Fund on the date fixed for redemption, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All Bonds redeemed by the Fiscal Agent pursuant to this Section 2.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the District, issue a certificate of destruction of such Bonds to the District.

Section 2.04. Refunding of Bonds. The Bonds may be refunded by the District pursuant to Divisions 11 or 11.5 of the Bond Law upon the conditions as set forth in appropriate proceedings therefor. This Section shall not apply to or in any manner limit advancement of the maturity of any of the Bonds as provided in Parts 8, 9, 11, or 11.1 of the Bond Law, nor shall this Section apply to or in any manner limit the redemption and payment of any Bond pursuant to subsequent proceedings providing for the payment of amounts to eliminate previously imposed fixed lien assessments, including the Reassessments.

Section 2.05. Form of Bonds. The Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution of Issuance and the Bond Law.

Section 2.06. Execution of Bonds. As required by Section 9604(c) of the Act, the Bonds shall be executed on behalf of the District by the facsimile signature of the Treasurer and the General Manager in the capacity as Secretary to the Board of Directors, who is in office on the Closing Date. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the owner. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the District although at the nominal date of such Bond any such person shall not have been such officer of the District. Only such Bonds as shall bear thereon a certificate of authentication and registration in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication and registration of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.07. Transfer of Bonds. 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 duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount of authorized denomination(s).

No transfers of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.08. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.09. Bond Register. The Fiscal Agent will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds, called the Bond Register, which books shall show the series number, date, maturity amount, rate of interest and last registered Owner of each Bond and shall at all times be open to inspection by the District during regular business hours on any Business Day, upon reasonable notice; 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 registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

The District and the Fiscal Agent will 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 addresses of the Owners as they appear in the Bond Register for any and all purposes.

Section 2.10. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the District, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the District and authenticated by the Fiscal Agent upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds shall be entitled to the same benefits under to this Agreement as definitive bonds authenticated and delivered hereunder.

Section 2.11. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the District, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor 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 canceled by it and destroyed by the Fiscal Agent who shall, upon request of the District, deliver a certificate of destruction thereof to the District.

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 be satisfactory to the Fiscal Agent and indemnity for the District and the Fiscal Agent satisfactory to the Fiscal Agent shall be

given, the District, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section 2.11 and of the expenses which may be incurred by the District and the Fiscal Agent for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.12. Limited Obligation. All obligations of the District under this Agreement and the Bonds shall not be general obligations of the District, but shall be limited obligations, payable solely from the Reassessments and the funds pledged therefore hereunder. Neither the faith and credit of the District nor of the State of California or any political subdivision thereof is pledged to the payment of the Bonds. The District hereby determines under Section 8769 of the Bond Law that it will not be obligated to advance available surplus funds from the District treasury to cure any deficiency in the Redemption Fund. The Bonds are payable solely from and secured solely by the Reassessments and the amounts in the Redemption Fund and the Reserve Fund.

Section 2.13. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section 2.13 shall in any way prohibit the redemption of Bonds under Section 2.03 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03 hereof.

Section 2.14. Book-Entry System. DTC shall act as the initial Depository for the Bonds. One Bond for each maturity of the Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond Register kept by the Fiscal Agent for the Bonds in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The representatives of the District and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

Neither the District nor the Fiscal Agent shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, neither the District nor the Fiscal Agent shall have any responsibility or obligation with respect 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, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the District elects to redeem the Bonds in part, (iv) the payment to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

Except as set forth above, the Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond for the purpose of payment of the principal of and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal Agent shall pay all principal of and interest on the Bonds only to or upon the order of the Owners as shown on the Bond Register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and interest on the Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond Register, shall receive a physical Bond. 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 transfer provisions in Section 2.07 hereof, references to "Cede & Co." in this Section 2.14 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Fiscal Agent during any time that the Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The District may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfers through DTC is not in the best interest of the Beneficial Owners, and the District shall mail notice of such termination to the Fiscal Agent.

Upon the termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the District determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certificated Bonds, the Bonds shall no longer be restricted to being registered in the Bond Register of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or name the Owners shall designate at that time, in accordance with Section 2.07.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.07, the Bonds will be delivered to such Beneficial Owners as soon as practicable.

Section 2.15. No Additional Bonds. The District shall not issue or incur any indebtedness other than the Bonds payable from the Reassessments or the amounts in the Redemption Fund (including the Prepayment Account therein) or the Reserve Fund established under this Agreement.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of Bonds. At any time after the execution of this Agreement, the District may issue the Bonds in the aggregate principal amount set forth in Section 2.01 hereof and deliver the Bonds to the Original Purchaser. Pursuant to the Resolution of Issuance, the Authorized Officers of the District are authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution of Issuance and this Agreement, and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser and the disposition of the proceeds thereof as provided herein.

Section 3.02. Application of Proceeds of Sale of Bonds. The proceeds of the purchase of the Bonds by the Original Purchaser (being \$_____) shall be paid to the Fiscal Agent, who shall forthwith deposit and remit, as applicable, such proceeds on the Closing Date as follows: (A) deposit \$_____ to the Costs of Issuance Fund; (B) deposit \$_____ in the Reserve Fund (being an amount equal to the Initial Reserve Fund Deposit); and (C) remit \$_____ to the Escrow Bank, for deposit by the Escrow Bank in the Escrow Fund. The Fiscal Agent may establish a temporary fund to record and facilitate such deposits and remittance of proceeds.

In addition to the foregoing, on the Closing Date the District shall transfer or cause to be transferred the following amounts for the following purposes:

(A) of the amounts on deposit in the redemption fund and the prepayment subaccount therein created under the Prior Resolution and amounts held by the District representing assessments collected (being a total of \$_____), (i) \$_____ shall be transferred to the Escrow Bank for deposit by the Escrow Bank in the Escrow Fund, and \$_____ shall be transferred to the Fiscal Agent for deposit by the Fiscal Agent in the Redemption Fund; and

(B) all amounts on deposit in the reserve fund created under the Prior Resolution (being \$_____) shall be transferred to the Escrow Bank for deposit by the Escrow Bank in the Escrow Fund.

In the event that the District receives any investment income, after the Closing Date, attributable to amounts in the redemption fund or the reserve fund created under the Prior Resolution, the District shall deposit such income in the Redemption Fund.

Section 3.03. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the status of the Project or the performance by any person of such person's obligation with respect to the Project.

Section 3.04. Pledge of Reassessments. The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Reassessments and all moneys deposited in the Redemption Fund and the Reserve Fund. The Reassessments and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein, in the Act and in the Bond Law until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 9.03.

Amounts in the Costs of Issuance Fund and the Administrative Expense Fund are not pledged to the repayment of the Bonds. The Project financed with proceeds of the Prior Bonds is not in any way pledged to pay the Debt Service on the Bonds. Any proceeds of condemnation or destruction of any portion of the Project are not pledged to pay the Debt Service on the Bonds and are free and clear of any lien or obligation imposed hereunder.

ARTICLE IV

ESTABLISHMENT OF FUNDS

Section 4.01. Redemption Fund.

(A) Establishment of Redemption Fund. The Redemption Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by Section 3.02(A)(ii), Section 4.04 and by Section 5.01, and any other amounts required to be deposited therein by this Agreement, the Act or the Bond Law. Moneys in the Redemption Fund shall be held by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, and shall be disbursed for the payment of the principal of and interest and any premium on, the Bonds and as otherwise provided below.

Within the Redemption Fund the Fiscal Agent shall establish a Prepayment Account into which shall be placed the proceeds of the prepayment of any Reassessment which occurs after the Closing Date and which Prepayment Account shall be administered in accordance with the provisions of Section 8767 of the Bond Law.

Whenever the Treasurer remits amounts to the Fiscal Agent for deposit to the Redemption Fund, the Treasurer shall include written instructions with respect to whether such amounts shall be deposited to the Redemption Fund or the Prepayment Subaccount.

(B) Disbursements.

(i) General. On each Interest Payment Date commencing September 2, 2019, the Fiscal Agent shall withdraw from the Redemption Fund and pay to the Owners of the Bonds an amount equal to the principal of, and interest and any premium, then due and payable on the Bonds. If there are insufficient funds in the Redemption Fund to make the payments provided for in the first sentence of this Section 4.01(B)(i) the Fiscal Agent shall transfer from the Reserve Fund an amount necessary to cure such insufficiency (not to exceed the amount then on deposit in the Reserve Fund), and if, on any Interest Payment Date an insufficiency still exists, the Fiscal Agent shall apply the available funds applied in the manner provided in the Bond Law, as directed by the Treasurer in writing. Past due payments of principal and interest shall continue to bear interest at the rate of interest on the Bonds. In the event of any delinquency in payment of the Bonds the first available moneys in the Redemption Fund arising from the collection of delinquent Reassessments up to the delinquent amount then owing on the Bonds.

(ii) Redemption of Bonds. Funds placed in the Prepayment Account of the Redemption Fund (including amounts transferred thereto pursuant to Section 4.04(D)) shall be disbursed therefrom by the Fiscal Agent for the call and redemption of Bonds on the redemption dates and in the amounts set forth in Section 2.03(A)(i) hereof.

(iii) Credits and Rebate. Any earnings on investments of funds in the Redemption Fund or the Prepayment Account not required to be disbursed under Section 4.01(B)(i) and (ii) above, shall be credited against Debt Service or, in the sole discretion of the District, applied to the call and redemption or

defeasance of Bonds; provided, however, that before any such credit shall be made, such earnings shall be available for the payment of any rebate that may be owed under Section 5.15 hereof.

(C) Investment. Moneys in the Redemption Fund and the Prepayment Account shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Redemption Fund and the Prepayment Account, respectively, to be used for the purposes of such fund and account.

Section 4.02. Escrow Fund. On the Closing Date, the Escrow Fund is to be established and held by the Escrow Bank under the Escrow Agreement. The purpose of the establishment of the Escrow Fund shall be to assure the payment and redemption of all of the Prior Bonds on March 2, 2019, using the proceeds of the Bonds and funds held by the District with respect to the Prior Bonds, all as specified in the Escrow Agreement.

Section 4.03. Costs of Issuance Fund.

(A) Establishment of Costs of Issuance Fund. The Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by clause (A) of the first paragraph of Section 3.02. Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the District and shall be disbursed as provided in subsection (B) of this Section 4.03 for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance as set forth in an Officer's Certificate containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent concurrent with the delivery of the Bonds. The Fiscal Agent shall pay all Costs of Issuance upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such Officer's Certificate, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial Officer's Certificate delivered to the Fiscal Agent on the Closing Date. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of six months from the Closing Date or until otherwise directed by the Treasurer to close the Costs of Issuance Fund, whichever is earlier, and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Administrative Expense Fund.

(C) Investment. Moneys in the Costs of Issuance Fund shall be invested and deposited in accordance with Section 6.01 hereof. Pending its closing under subsection (B) above, interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

Section 4.04. Reserve Fund.

(A) Establishment of Reserve Fund. The Reserve Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by clause (B) of the first paragraph of Section 3.02, and deposits shall be made as provided in the Section 5.01. Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the District and the owners of the Bonds as a reserve for the payment of principal of and interest and any premium on, the Bonds. The District shall cause the Fiscal Agent to administer the Reserve Fund in accordance with Part 16 of the Bond Law; provided that proceeds from redemption or sale of properties with respect to which payment of delinquent

Reassessments and interest thereon was made from the Reserve Fund, shall be credited to the Reserve Fund.

(B) Use of Fund. Except as otherwise provided in this Section 4.04 all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of this Section 4.04, for the purpose of redeeming Bonds from the Redemption Fund or, in accordance with Section 5.15, for the purpose of paying rebate to the federal government.

(C) Transfer Due to Deficiency in Redemption Fund. Transfers shall be made from the Reserve Fund to the Redemption Fund in the event of a deficiency in the Redemption Fund, with respect to amounts owing on the Bonds in accordance with Section 4.01(B)(i) hereof.

(D) Payment of Reassessments. Whenever, after the issuance of the Bonds, a Reassessment is prepaid, in whole or in part, as provided in the Bond Law, the Fiscal Agent shall transfer from the Reserve Fund to the Prepayment Account of the Redemption Fund an amount equal to the product of the ratio of the original amount of the Reassessment so paid to the original amount of all unpaid Reassessments, times the then amount, if any, on deposit in the Reserve Fund, all as determined by the Treasurer.

(E) Transfer of Excess of Reserve Requirement. Whenever, on any Interest Payment Date, or on any other date when requested by the Treasurer, the amount in the Reserve Fund exceeds the then Maximum Reserve Amount, the Fiscal Agent shall transfer on or before such Interest Payment Date an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used for purposes of the Redemption Fund and otherwise as provided in Section 8887 of the Bond Law.

(F) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund is sufficient to retire all the Outstanding Bonds, whether by advance retirement or otherwise, collection of the principal and interest on the Reassessments shall be discontinued. In such event, the Treasurer shall (i) direct the Fiscal Agent to call for redemption, on the next Interest Payment Date for which notice of redemption can timely be given, all of the then Outstanding Bonds, and (ii) transfer from the Reserve Fund to the Fiscal Agent for deposit in the Redemption Fund, on such Interest Payment Date, an amount sufficient to pay the redemption price due on the Bonds on such Interest Payment Date. In the event that the balance in the Reserve Fund on the redemption date exceeds the amount required to retire all of the Outstanding Bonds, the excess shall after payment of amounts due to the Owners, be transferred by the Fiscal Agent to the District to be used in accordance with Section 8885 of the Bond Law.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to this Section 4.04(F) until after (i) the calculation of any amounts due to the federal government pursuant to Section 5.15 following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

(G) Investment. Moneys in the Reserve Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained in the Reserve Fund subject to the provisions of Section 4.04(E) hereof.

Section 4.05. Administrative Expense Fund.

(A) Establishment of Administrative Expense Fund. The Administrative Expense Fund is hereby established as a separate fund to be held by the Treasurer, to the credit of which deposits shall be made as required by Section 5.01(D). Moneys in the Administrative Expense Fund shall be held by the Treasurer for the benefit of the District and shall be disbursed as provided in subsection (B) of this Section for payment or reimbursement of costs of the District in connection with the administration of this Agreement, the Bonds and the Assessment District.

(B) Disbursement. Amounts in the Administrative Fund shall be withdrawn by the Treasurer and paid to the District or its order upon receipt by the Treasurer of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay a cost of the District to administer this Agreement, the Bonds or the Assessment District, and the nature of such administrative expense.

(C) Investment. Moneys in the Administrative Expense Fund shall be invested in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained in the Administrative Expense Fund to be used for the purposes of such fund.

ARTICLE V

COVENANTS OF THE DISTRICT

Section 5.01. Collection of Reassessments. The District shall comply with all requirements of the Act, the Bond Law and this Agreement to assure the timely collection of the Reassessments, including, without limitation, the enforcement of delinquent Reassessments. Any funds received by the District in and for the Assessment District, including, but not limited to, collections of Reassessments upon the secured tax rolls, collections of delinquent Reassessments and penalties thereon, through foreclosure proceedings and the prepayment of Reassessments or portions thereof, shall be immediately transferred to the Fiscal Agent for deposit into the Redemption Fund. To that end, the following shall apply:

(A) The Reassessments as set forth on the List of Unpaid Reassessments on file with the Administrative Services Manager together with the interest thereto, shall be payable in annual series corresponding in number to the number of principal payments on the Bonds issued. An annual proportion of each Reassessment shall be payable in each year preceding the date of principal payments on the Bonds issued sufficient to pay the Bonds when due and such proportion of each Reassessment coming due in any year, together with the annual interest thereon, shall be payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interests after delinquency as do the general taxes on real property.

All sums received from the collection of the Reassessments and of the interest and penalties thereon shall be transmitted by the District to the Fiscal Agent, to be placed in the Redemption Fund; provided that (i) amounts referred to in Section 5.01(D) below shall be deposited by the District in the Administrative Expense Fund, (ii) any prepayments of Reassessments shall be transferred by the District to the Fiscal Agent to be placed by the Fiscal Agent in the Prepayment Account established under and administered in accordance with Section 4.01(A) and 4.01(B)(ii) hereof, and (iii) amounts representing the collection of delinquent Reassessments (whether by foreclosure or otherwise) shall, after deduction of the costs of collection, be transferred by the District to the Fiscal Agent for deposit by the Fiscal Agent to the Redemption Fund only in the amount of any then delinquency in the payment of the principal of or interest on the Bonds and otherwise shall be deposited by the Fiscal Agent to the Reserve Fund. The Treasurer shall provide the Fiscal Agent with written instructions as to the disposition of any amounts remitted to the Fiscal Agent under this Section 5.01(A).

(B) The Treasurer shall, before the final date on which the Auditor will accept the transmission of the Reassessments for the parcels within the Assessment District for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the installments of the Reassessments on the next secured tax roll. The Treasurer is hereby authorized to employ consultants to assist in computing the installments of the Reassessments hereunder and in reconciling Reassessments billed to amounts received as provided in this Section 5.01(B).

(C) The Reassessments shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the

same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

(D) In addition to any amounts authorized pursuant to Section 8682 of the Bond Law to be included with the annual amounts of Reassessment installments as aforesaid, the District, pursuant to Section 8682.1 of the Bond Law, may cause to be entered on the Reassessment roll on which taxes will next become due, opposite each lot or parcel of land within the Assessment District in the manner set forth in said Section 8682, each lot's pro rata share of the estimated annual expenses of the District in connection with the administrative duties thereof for the Bonds, including, but not limited to, the costs of registration, authentication, transfer and compliance with the provisions of this Article V, which amounts shall be placed in the Administrative Expense Fund.

(E) Delinquent Reassessments shall be subject to foreclosure pursuant to Section 5.02 hereof.

Section 5.02. Foreclosure. The District hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute an action in the superior court to foreclose the lien of any Reassessment or installment thereof which has been billed, but has not been paid, pursuant to and as provided in Sections 8830 and 8835, inclusive of the Bond Law and the conditions specified in this Section 5.02. The Treasurer shall notify Counsel to the District of any such delinquency of which the Treasurer is aware, and Counsel to the District shall commence, or cause to be commenced, such foreclosure proceedings, including collection actions preparatory to the filing of any complaint. The District Counsel is hereby authorized to employ counsel to conduct any such foreclosure proceedings.

On or about August 15 of each Fiscal Year, the Treasurer shall compare the amount of Reassessments theretofore levied in the Assessment District to the amount of Reassessments theretofore received by the District, and, if the amount then on deposit in the Reserve Fund is less than 95% of the then Maximum Reserve Amount, the Treasurer shall notify Counsel to the District of any parcel in the Assessment District with delinquent Reassessments of \$3,000.00 or more, and Counsel to the District shall commence, or cause to be commenced, foreclosure proceedings (beginning with sending the owner of the subject parcel a notice of delinquency and demand for payment) with respect to each such parcel with delinquent Reassessments of \$3,000.00 or more.

Section 5.03. Punctual Payment. The District will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of

the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Section 5.05. Against Encumbrance. The District will not encumber, pledge or place any charge or lien upon any of the unpaid Reassessments or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement, the Act or the Bond Law. The District shall not issue any additional bonds secured by the Reassessments.

Section 5.06. Books and Accounts. The District will keep, or cause to be kept, 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 relating to the Administrative Expense Fund and the Reassessments, which records shall be subject to inspection by the Fiscal Agent (who shall have no duty to so inspect) upon reasonable prior notice on any Business Day.

Section 5.07. Protection of Security and Rights of Owners. The District will preserve and protect the security of the Bonds and the rights of the Owners thereto, and will warrant and defend their rights to such security against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Section 5.08. Yield of the Bonds. In determining the yield of the Bonds to comply with Sections 5.13 and 5.15 hereof, the District will take into account the redemption price of the Bonds (including premium, if any) in advance of maturity based on the reasonable expectations of the District, as of the Closing Date, regarding prepayments of Reassessments and use of prepayments for redemption of the Bonds, without regard to whether or not prepayments are received or Bonds redeemed.

Section 5.09. Further Assurances. 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 rights and benefits provided in this Agreement.

Section 5.10. Private Activity Bond Limitation. The District shall assure that the proceeds of the Prior Bonds and of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code.

Section 5.11. Private Loan Financing Limitation. The District shall assure that the proceeds of the Prior Bonds and of the Bonds are not so used as to cause the Bonds to satisfy the private loan financing test of section 141(c) of the Code.

Section 5.12. Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.13. No Arbitrage. The District shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Prior Bonds and of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 5.14. Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Section 5.15. Rebate Requirement. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, as applicable to the Bonds and the Prior Bonds. The District may use investment earnings on amounts in the Redemption Fund or amounts on deposit in the Reserve Fund or the Administrative Expense Fund to satisfy any rebate liability to the federal government.

Section 5.16. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provisions of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder; however, the Participating Underwriter (as defined in the Continuing Disclosure Agreement) or any owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations thereunder, including seeking mandate or specific performance by court order.

ARTICLE VI

INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE DISTRICT

Section 6.01. Deposit and Investment of Moneys in Funds. Subject in all respects to the provisions of Section 6.02, moneys in any fund or account created or established by this Agreement and held by the Treasurer or the Fiscal Agent shall be invested by the Treasurer or the Fiscal Agent, respectively, in Authorized Investments. The following shall apply to such investments:

(A) The Treasurer or the Fiscal Agent, as applicable, shall invest any such moneys described in the definition of Authorized Investments herein. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

(B) The Treasurer or the Fiscal Agent, as applicable, may act as principal or agent in the acquisition or disposition of any investment. Neither the Treasurer nor the Fiscal Agent, as applicable, shall incur any liability for losses arising from any investments made pursuant to this Section. For purposes of determining the amount on deposit in any fund or account held hereunder, all Authorized Investments or investments credited to such fund or account shall be valued at Fair Market Value.

(C) Investments in any funds or accounts held by the Fiscal Agent may at the discretion of the Fiscal Agent be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent hereunder, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

(D) The Fiscal Agent shall sell at the highest price reasonably obtainable, or present for redemption, any investment security 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 investment security is credited and the Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

(E) The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

Section 6.02. Acquisition, Disposition and Valuation of Investments.

(A) Except as otherwise provided in subsection (B) of this Section 6.02, the District covenants that all investments of amounts deposited in any funds or accounts created by this Agreement, or otherwise containing gross proceeds of the Bonds (as defined by section 148 of

the Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value.

(B) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of section 149 of the Code).

Section 6.03. Liability of District. The District shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly provided herein or in the Bonds. The District shall not be liable to any Owner in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default thereunder. Under this Agreement, the following shall apply to the District:

(A) In the absence of bad faith, the District, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of this Agreement; and the District, including the Treasurer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts other than to the extent of money improperly obtained or retained by the District;

(B) No provision of this Agreement shall require the District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to (i) imposing and collecting the Reassessments and transferring the same to the Fiscal Agent; (ii) defending the validity of the Reassessments and the Bonds and the proceedings related thereto, and (iii) the foreclosure proceedings for delinquent Reassessments and the payment of fees and costs of the Fiscal Agent, in each case as required under this Agreement) in the performance of any of its obligations hereunder or in the exercise of any 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;

(C) The District may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be the general Counsel to the District or Bond Counsel, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith;

(D) The District shall not be bound to recognize any person as the Owner of a Bond unless duly registered and until such Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed; and

(E) Whenever in the administration of its duties under this Agreement the District 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 District, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent or other expert retained by the District for the purposes hereof, and such certificate shall be full warrant to the District for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Section 6.04. Employment of Agents by District. In order to perform its duties and obligations hereunder, the Treasurer may employ such persons or entities as he deems necessary or advisable. The District shall not be liable for any of the acts or omissions of such persons or entities employed by it with reasonable care and in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. Appointment of Fiscal Agent. U.S. Bank National Association, at its office in Los Angeles, California, is hereby appointed Fiscal Agent and Paying Agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent. With respect to the appointment of the Fiscal Agent, the following shall apply:

(A) At any time and with or without cause, the District may remove the Fiscal Agent initially appointed and any successor thereto, and may appoint a successor or successor's thereto, but any Fiscal Agent shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Twenty-Five Million Dollars (\$25,000,000) 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 7.01, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(B) The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Fiscal Agent, satisfying the requirements of Section 7.01(A) above, by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective only upon acceptance of appointment by a successor Fiscal Agent.

(C) If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiscal Agent shall have given to the District written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bond Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

(D) If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Treasurer in trust for the benefit of the Owners. The District covenants for the direct benefit of the Owners that the Treasurer in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

(E) Any company into which a successor Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the preceding paragraphs of this Section 7.01 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.

The Fiscal Agent shall give the Treasurer written notice of any such succession hereunder.

Section 7.02. Liability of Fiscal Agent. With respect to the liability of the Fiscal Agent, the following shall apply:

(A) The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, makes no representations as to the validity or sufficiency of this Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. 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 assumes no responsibility or liability for any information, statement or recital in any official statement or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(B) The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

(C) The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(D) No provision of 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 any of its rights or powers.

(E) 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 or direction of any of the Owners pursuant to this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(F) The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

(G) The Fiscal Agent may execute any of the powers hereof and perform any of its duties by and through attorneys, agents, receivers, consultants or employees and shall not be responsible for any loss or damage resulting from any action or nonaction

exercised reasonably and in good faith in reliance on the opinion or advice of such attorneys, agents, receivers, consultants or employees. The Fiscal Agent may pay reasonable compensation to all attorneys, agents, receivers, consultants and employees as may reasonably be employed in connection with the discharge of its duties hereunder, and shall be entitled to reimbursement therefor.

(H) At any and all reasonable times, the Fiscal Agent and its duly authorized agents, attorneys, experts, accountants and representatives shall have the right fully to inspect all books, papers and records of the District pertaining to the Bonds and to make copies of any such books, papers and records such as may be desired but which is not privileged by statute or law.

(I) The right of the Fiscal Agent to perform any discretionary act enumerated or contemplated in this Agreement shall not be construed as a duty.

(J) The Fiscal Agent has no obligation or liability to the Owners for the payment of principal of, redemption price, or interest on the Bonds from its own funds.

(K) Whether or not herein expressly provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall (i) be subject to the provisions of this Section 7.02 and (ii) extend to the directors, officers and employees of the Fiscal Agent.

(L) The Fiscal Agent shall not be required to give any bonds or surety in respect of the execution of the duties created hereby or the powers granted hereunder.

Section 7.03. Information; Books and Accounts. The Fiscal Agent shall provide to the District such information relating to the Bonds, the funds held by the Fiscal Agent and the transactions performed by the Fiscal Agent hereunder as the District shall reasonably request, including but not limited to quarterly statements reporting transactions by the Fiscal Agent.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the Costs of Issuance Fund, the Reserve Fund and the Redemption Fund (including the Prepayment Account therein). Such books of record and accounts shall, upon reasonable notice, at all times during business hours on any Business Day be subject to the inspection of the District and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may conclusively rely, without undertaking any investigation or inquiry, and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith 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 person is the registered Owner of such Bond and such Bond is submitted for inspection, if required, and such Owner's 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 certificate of an Authorized Officer 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 or any Supplemental 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 seem reasonable.

Section 7.05. Compensation; Indemnification. The District shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of the Fiscal Agent's in house or other attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The District further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the District under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the District arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 8.01. Amendments Permitted. This Agreement and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the District of any pledge or lien upon the Reassessments superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the Resolution of Issuance, the laws of the State of California or and this Agreement), or reduce the percentage of Bonds required for the amendment hereof. No such amendment may modify any of the rights or increase any of the obligations of the Fiscal Agent (other than pursuant to Section 8.01(D)) without its written consent.

This Agreement and the rights and obligations of the District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners (except as provided in the next sentence), only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the District in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the District;

(B) to make modifications not adversely affecting any outstanding series of Bonds in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the District may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds; or

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

Section 8.02. Owners' Meetings. The District may at any time call a meeting of the Owners. In such event the District is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The District and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is not permitted by Section 8.01 hereof, to take effect when and as provided in this Section 8.03. With respect to such Supplemental Agreement under this Section 8.03, the following shall apply:

(A) A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided;

(B) Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed; and

(C) After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the District shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of matters therein of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the District and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the District, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII; provided, however, that for the purposes of any vote, consent or other action or any calculation only Bonds which the Fiscal Agent knows to be so owned or held shall be disregarded. Upon request, the District shall specify to the Fiscal Agent those Bonds disqualified pursuant to this Section 8.04.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the District and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental

Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendment. The District may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon request of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the District may select and designate for that purpose, a suitable notation shall be made on such Bond. The District may determine that new Bonds, so modified as in the opinion of the District is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon request of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the District, the Fiscal Agent and the Owners any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor is Deemed Included in All Reference to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the District or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the District or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. Subject to the provisions of Section 2.04 hereof, if the District shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Redemption Fund provided for in Section 4.01 and the Reserve Fund provided for in Section 4.04 is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the District shall determine, as confirmed by Bond Counsel or an independent certified public accountant, which will, together with the interest to accrue thereon and moneys then on deposit in the Redemption Fund provided for in Section 4.01 and the Reserve Fund provided for in Section 4.04, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the District, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Reassessments and other funds provided for in this Agreement and all other obligations of the District under this Agreement with respect to all Bonds Outstanding shall cease and terminate, except only the obligations of the District under Sections 5.10 through 5.15 hereof and the obligations of the District to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to Section 7.05 hereof; and thereafter Reassessments shall not be deposited to the Redemption Fund. Notice of such election shall be filed with the Fiscal Agent, and the Fiscal Agent shall provide notice of such defeasance to the Owners with a copy to the District. Any funds thereafter held by the District which are not required for said purpose shall be used by the District as provided in the Act and the Bond Law.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing. Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The ownership of registered bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books. Any consent request, declaration or other instrument or writing of the then registered Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No Board Member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demand on District and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the District may be given or served by: (i) personal delivery, overnight delivery by a recognized courier or delivery service, (ii) mailed by registered or certified mail, return receipt requested, postage prepaid, or (iii) electronic transmission, which includes email with an imaged or scanned attachment (such as a .pdf) or other similar electronic transmission, addressed as follows (if given pursuant to the preceding clause (i) or (ii)):

Los Osos Community Services District
2122 Ninth Street
Los Osos, California 93402
Attention: General Manager

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the District to or on the Fiscal Agent may be given or served by: (i) personal delivery, overnight delivery by a recognized courier or delivery service, (ii) mailed by registered or certified mail, return receipt requested, postage prepaid, or (iii) electronic transmission, which includes fax machine, email with an imaged or scanned attachment (such as a .pdf) or other similar electronic transmission, addressed as follows (if given pursuant to the preceding clause (i) or (ii)):

U.S. Bank National Association
633 West Fifth Street, 24th Floor LM-CA-T24T
Loa Angeles, California 90071
Attention: Corporate Trust Service

The District and the Fiscal Agent may designate any further or different addresses, facsimile numbers, or email addresses to which subsequent notices, certificates or other communications shall be sent.

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The District hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when payments of principal, interest and any premium have become payable, shall be repaid by the Fiscal Agent to the District as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the District for the payment of the principal of, and interest and any premium on, such Bonds.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 9.10. Conflict with Bond Law or the Act. In the event of a conflict between any provision of this Agreement with any provision of the Bond Law or the Act, the provision of the Bond Law or the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act and the Bond Law relative to their issuance and the levy of the Reassessments.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no additional interest shall accrue from such Interest Payment Date until such Business Day.

Section 9.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the District has caused this Agreement to be executed in its name and the Fiscal Agent has caused this Agreement to be executed in its name, all as of the date first written above.

LOS OSOS COMMUNITY SERVICES
DISTRICT

By: _____
General Manager

U.S. BANK NATIONAL ASSOCIATION, as
Fiscal Agent

By: _____
Authorized Officer

12053.01:J15826

EXHIBIT A

FORM OF BOND

**United States of America
State of California
County of San Luis Obispo**

No. _____

**\$ _____ **

**LOS OSOS COMMUNITY SERVICES DISTRICT
LIMITED OBLIGATION REFUNDING BOND
WASTEWATER ASSESSMENT DISTRICT NO. 1
(REASSESSMENT AND REFUNDING OF 2019)**

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP No.
_____ %	September 2, 20 _____	_____, 2019	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ 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 and the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 of the California Streets and Highways Code (collectively, the "Act"), the Los Osos Community Services District (the "District"), will, out of the redemption fund for the payment of the bonds issued upon the unpaid portion of reassessments more fully described in proceedings taken pursuant to Resolution of Intention No. _____ adopted by the Board of Directors of the District on January 10, 2019, pay to the Registered Owner named above or registered assigns, on the Maturity Date stated above, the Principal Amount stated above, in lawful money of the United States of America and in like manner will pay interest from the interest payment date next preceding the date on which this bond is authenticated, unless this bond is authenticated and registered on an interest payment date, in which event it shall bear interest from such interest payment date, or if this bond is authenticated prior to an interest payment date and after the close of business on the 15th day of the month preceding the interest payment date, in which case it will bear interest from such interest payment date, or unless this bond is authenticated and registered prior to August 15, 2019, in which event it shall bear interest from the dated date above until payment of the principal amount shall have been discharged, at the rate per annum stated above, payable semiannually on March 2 and September 2 in each year commencing on September 2, 2019.

Both the principal hereof and redemption premium hereon are payable upon surrender at the office of U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), in St. Paul, Minnesota, or such other place as designated by the Fiscal Agent and the interest hereon is payable by check mailed by first class mail to the registered owner hereof on the respective Interest Payment Date at the owner's address as it appears on the records of the Fiscal Agent as of the 15th day immediately preceding each interest payment date (the "Record Date"), or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date.

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

This bond is one of an annual series of bonds of like date, tenor, and effect, issued by the District under the Act, the Resolution of Issuance (as defined in the Fiscal Agent Agreement hereafter referenced) and the Fiscal Agent Agreement, dated as of February 1, 2019, between the District and the Fiscal Agent (the "Fiscal Agent Agreement") for the purpose of providing means for refunding the prior bonds described in the proceedings, and is secured by the moneys in said redemption fund and by the unpaid portion of said reassessments made for the payment of the bonds, and, including principal and interest, is payable exclusively out of said fund.

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 and the other provisions of Section 2.07 of the Fiscal Agent Agreement. Upon such transfer, a new registered bond or bonds, of any authorized denomination or denominations, of the same maturity, and for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

Bonds shall be registered only in the name of an individual (including joint owners), a corporation, a partnership, or a trust.

Neither the District nor the Fiscal Agent shall be required to make such exchange or registration of transfer of bonds (i) fifteen days prior to the date established by the Fiscal Agent for selection of bonds for redemption, (ii) with respect to a bond after such bond has been selected for redemption, or (iii) between a record date for the bonds and the succeeding interest payment date.

The District and the Fiscal Agent may treat the registered owner hereof as the absolute owner for all purposes, and the District and the Fiscal Agent shall not be affected by any notice to the contrary.

This bond or any portion of it in the amount of \$5,000 or any integral multiple of \$5,000 in excess thereof, may be redeemed and paid in advance of maturity upon the second day of March or September in any year by giving at least 30 days' notice to the registered owner hereof at the registered owner's address as it appears on the registration books of the Fiscal Agent and by paying principal and accrued interest together with, in certain circumstances, a premium in the amount specified in the Fiscal Agent Agreement. Notice of any such redemption may be conditioned upon receipt of sufficient funds to pay the redemption price of the bonds to be redeemed, as permitted by the Fiscal Agent Agreement.

The bonds maturing on September 2, ____, are also subject to mandatory redemption from sinking fund payments on each September 2 to maturity commencing September 2, ____ in part by lot at a redemption price equal to the principal amount of the bonds of such maturity to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Redemption Date (September 2)	Principal Amount to be Redeemed
----------------------------------	------------------------------------

[to come]

The bonds are subject to refunding under the procedures of Division 11 (commencing with Section 9000) or Division 11.5 (commencing with Section 9500) of the Streets and Highways Code subject to the conditions set forth in the Fiscal Agent Agreement.

This bond is a limited obligation refunding bond because, under the Resolution of Issuance and the Fiscal Agent Agreement, the District is not obligated to advance funds from the District treasury to cover any deficiency which may occur in the redemption fund for the Bonds; however, the District is not prevented, in its sole discretion, from so advancing funds.

This bond shall not be entitled to any benefit under the Act, the Resolution of Issuance 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 dated and signed by the Fiscal Agent.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Fiscal Agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Los Osos Community Services District has caused this bond to be signed in facsimile by the General Manager of the District in the General Manager's capacities as Treasurer and as the Secretary to the Board of Directors of the District, all as of the Bond Date shown above.

LOS OSOS COMMUNITY SERVICES
DISTRICT

By: _____
General Manager, in the capacity as
Treasurer of the District

By: _____
General Manager, in the
capacity as Secretary to the
Board of Directors of the District

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of
survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____
(Cust) Custodian (Minor)

under Uniform Gifts to Minors Act

(State)

Additional abbreviations may also be used though not in the above list.

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the bonds described in the within mentioned Resolution of Issuance and the Fiscal Agent Agreement.

Dated: _____, 2019

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By _____
Authorized Signatory

FORM OF ASSIGNMENT

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

(Name, address and Tax Identification or Social Security Number of Assignee)
the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____, attorney,
to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

Note: The signature(s) on 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.

ESCROW AGREEMENT

by and between the

LOS OSOS COMMUNITY SERVICES DISTRICT

and

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Bank**

dated as of February 1, 2019

**relating to:
Los Osos Community Services District
Wastewater Assessment District No. 1
Limited Obligation Improvement Bonds**

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ESCROW AGREEMENT

This ESCROW AGREEMENT, dated as of February 1, 2019 (this "Escrow Agreement"), is by and between the LOS OSOS COMMUNITY SERVICES DISTRICT (the "District"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, in its capacity as trustee with respect to the Redemption Account for, and as paying agent for, the 2002 Bonds (as defined below), and in its capacity as escrow bank hereunder (the "Escrow Bank").

RECITALS:

WHEREAS, the District has heretofore issued its \$17,990,000 initial principal amount of Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds (the "2002 Bonds") pursuant to Resolution No. 2002-33 adopted by the Board of Directors of the District on August 15, 2002 (as amended and supplemented prior to the date hereof, the "2002 Resolution"); and

WHEREAS, the District has determined to provide for the refunding in full of the outstanding 2002 Bonds; and

WHEREAS, for the purpose of providing funds for the refunding of the 2002 Bonds, the District has determined to issue its \$_____ Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019) (the "2019 Bonds"), pursuant to a Fiscal Agent Agreement, dated as of February 1, 2019 (the "Fiscal Agent Agreement"), by and between the District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"); and

WHEREAS, the District wishes to make a deposit of proceeds of the 2019 Bonds with the Escrow Bank in an amount sufficient, together with certain other funds to be transferred to the Escrow Bank as provided herein, to pay the debt service due on the 2002 Bonds on March 2, 2019, and the redemption price of the 2002 Bonds maturing on and after September 2, 2019 on March 2, 2019, and the District desires to enter into this Escrow Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited with the Escrow Bank; and

WHEREAS, the Escrow Bank has full powers to act with respect to the irrevocable escrow created herein and to perform the duties and obligations to be undertaken by it pursuant to this Escrow Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Appointment of Escrow Bank. The District hereby appoints the Escrow Bank as escrow bank for all purposes of this Escrow Agreement and in accordance with the terms and provisions of this Escrow Agreement, and the Escrow Bank hereby accepts such appointment.

Section 2. Establishment of Escrow Fund. There is hereby created by the District with, and to be held by, the Escrow Bank, as security for the payment of the principal of and interest on the 2002 Bonds as hereinafter set forth, an irrevocable escrow to be maintained by the

Escrow Bank for the benefit of the owners of the 2002 Bonds, said escrow to be designated the "Escrow Fund." All moneys deposited in the Escrow Fund shall constitute a special fund for the payment of the principal of and interest on the 2002 Bonds in accordance with this Escrow Agreement and the provisions of the 2002 Resolution.

If at any time the Escrow Bank shall receive actual knowledge that the moneys in the Escrow Fund will not be sufficient to make any payment required by Section 4 hereof, the Escrow Bank shall notify the District of such fact and the District shall immediately cure such deficiency from any funds that may be lawfully available for such purpose.

Section 3. Deposit into Escrow Fund; Investment of Amounts. (a) Concurrent with delivery of the 2019 Bonds, the District shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$_____ in immediately available funds derived as follows: (i) \$_____ from the proceeds of sale of the 2019 Bonds, (ii) \$_____ from funds held in the Reserve Fund established for the 2002 Bonds, and (iii) \$_____ from funds held in or for the benefit of the Redemption Fund established under the 2002 Resolution or assessment payments held by the District. The Escrow Bank, in its capacity as Trustee and as Paying Agent for the 2002 Bonds, is hereby directed by the District to make the transfers of funds from the Reserve Fund and the Redemption Fund under the 2002 Resolution to the Escrow Fund as described in clauses (ii) and (iii) of the preceding sentence.

(b) The Escrow Bank shall invest \$_____ of the moneys deposited into the Escrow Fund pursuant to the preceding paragraph in the Federal Securities (as defined in the 2002 Resolution) described in Exhibit D attached hereto (the "Escrowed Federal Securities"), and shall hold the remaining \$_____ in cash, uninvested. The Escrowed Federal Securities shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

(c) The Escrow Bank may rely upon the conclusion of Causey Demgen & Moore, P.C., as contained in its opinion and accompanying schedules (the "Report") dated February __, 2019, that the Escrowed Federal Securities mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to provide for (i) the debt service due on the 2002 Bonds on March 2, 2019, and (ii) the redemption of the outstanding 2002 Bonds maturing on and after September 2, 2019 on March 2, 2019 (the "Redemption Date") at a redemption price equal to the principal amount of the 2002 Bonds to be redeemed, together with accrued interest to the Redemption Date, without premium (the "Redemption Price"), all as set forth in Exhibit A hereto. It is acknowledged that March 2, 2019 is not a Business Day (as defined in the Fiscal Agent Agreement), so that payment of the Redemption Price will actually be remitted to the owners of the 2002 Bonds on the next succeeding Business Day being March 4, 2019, in accordance with the provisions of the 2002 Resolution.

(d) The Escrow Bank shall not be liable or responsible for any loss resulting from its full compliance with the provisions of this Escrow Agreement.

Section 4. Instructions as to Application of Deposit. (a) The total amount held in the Escrow Fund pursuant to Section 3 shall be applied by the Escrow Bank to (i) pay the debt service due on the 2002 Bonds on March 2, 2019, and (ii) to redeem in full the 2002 Bonds maturing on and after September 2, 2019 on March 2, 2019, by paying on March 4, 2019 from the amount in the Escrow Fund said debt service due on March 2, 2019 and the redemption price of the 2002 Bonds maturing on and after September 2, 2019, being 100% of the then outstanding principal amount thereof, plus accrued interest to the Redemption Date, as more fully set forth in Exhibit A hereto. It is acknowledged that March 2, 2019 is not a Business Day (as defined in

the Fiscal Agent Agreement), so that payment of the debt service due on March 2, 2019 and the Redemption Price will actually be remitted to the owners of the 2002 Bonds on the next succeeding Business Day being March 4, 2019, in accordance with the provisions of the 2002 Resolution. Following the final payment of the 2002 Bonds, the Escrow Bank shall transfer any remaining amounts held by it as Escrow Bank relating to the 2002 Bonds or the 2002 Resolution on March 4, 2019, to the Fiscal Agent for deposit by the Fiscal Agent in the Redemption Fund established under the Fiscal Agent Agreement.

(b) The Escrow Bank, in its capacity as Paying Agent under the 2002 Resolution, is hereby directed to apply the amounts in the Escrow Fund to the payment and redemption of the 2002 Bonds pursuant to the preceding paragraph. It is hereby acknowledged that the Escrow Bank, at the direction of the District and in its capacity as the Paying Agent under the 2002 Resolution, has heretofore provided notice of redemption of the 2002 Bonds in substantially the form of Exhibit B hereto, as required by the 2002 Resolution to effect such redemption.

(c) The Escrow Bank is hereby requested, and the Escrow Bank hereby agrees, to promptly give notice of the defeasance of the 2002 Bonds in the form of defeasance notice attached hereto as Exhibit C, promptly following the execution and delivery of this Escrow Agreement and the funding of and investment of amounts in the Escrow Fund pursuant to Section 3 above.

Section 5. Compensation to Escrow Bank. The District shall pay the Escrow Bank compensation for its duties under this Escrow Agreement, including out-of-pocket costs such as publication costs, legal fees and other costs and expenses relating hereto, pursuant to a separate agreement between the District and the Escrow Bank. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes. The obligation of the District under this Section 5 to pay compensation already earned by the Escrow Bank and to pay costs and expenses already incurred shall survive termination of this Escrow Agreement and shall survive the resignation or removal of the Escrow Bank.

Section 6. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Agreement unless the District shall have deposited sufficient funds with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written or oral instructions of the District or its agents relating to any matter or action as Escrow Bank under this Escrow Agreement. The protections, immunities and limitations from liability provided to the 2002 Fiscal Agent under the 2002 Resolution shall be afforded the Escrow Bank hereunder and are incorporated herein by this reference.

The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of the moneys held in the Escrow Fund hereunder to accomplish the discharge of the 2002 Bonds, or any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the recital clauses herein shall be taken as the statements of the District and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representations as to the sufficiency of the moneys in the Escrow Fund to accomplish the redemption of the 2002 Bonds pursuant to the 2002 Resolution, or to the validity of this Escrow Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall

incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Agreement and no implied duties shall be read into this Escrow Agreement against the Escrow Bank. The Escrow Bank may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel selected by it with due care shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith.

The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to the extent permitted by law, to indemnify, protect, save and hold harmless the Escrow Bank and its respective successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Escrow Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; *provided, however*, that the District shall not be required to indemnify the Escrow Bank against its own negligence or willful misconduct and any liability of the District under this paragraph shall be payable solely from funds legally available for such purpose. The indemnities contained in this Section 6 and the compensation and reimbursement of expenses set forth in Section 5 shall survive the termination of this Escrow Agreement.

Whenever, in the administration of this Escrow Agreement, the Escrow Bank 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 negligence or willful misconduct on the part of the Escrow Bank, be deemed to be conclusively proved and established by a certificate of an authorized representative of the District, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be full warrant to the Escrow Bank for any action taken or suffered in good faith by it under the provisions of this Escrow Agreement.

The Escrow Bank shall not be responsible for any of the recitals or representations contained herein.

The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of moneys deposited with it to pay the redemption price of the 2002 Bonds.

The Escrow Bank shall incur no liability for losses arising from any disposition made pursuant to and in accordance with this Escrow Agreement.

No provision of this Escrow Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder or in the exercise of its rights or powers.

Any bank, federal savings association or trust company into which the Escrow Bank may be merged or with which it may be consolidated shall become the Escrow Bank without any action of the District.

The Escrow Bank shall have no liability or obligation to the holders of the 2002 Bonds with respect to the payment of debt service by the District on any of such bonds or with respect to the observance or performance by the District of the other conditions, covenants and terms contained in the 2002 Resolution, or with respect to the investment of any moneys in any fund or account established, held or maintained by the District pursuant to the 2002 Resolution.

The Escrow Bank shall not be liable for any error of judgment made in good faith by an authorized officer.

The Escrow Bank may at any time resign by giving written notice to the District, which notice shall indicate the date (not earlier than 60 days after receipt by the District of such notice) on which the resignation is to be effective (the "resignation date"). The District shall promptly appoint a successor Escrow Bank by the resignation date. Resignation of the Escrow Bank will be effective upon acceptance of appointment by a successor Escrow Bank. If the District does not appoint a successor Escrow Bank by the resignation date, the Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Bank. The District may at any time terminate the services of the Escrow Bank and appoint a new Escrow Bank hereunder, such termination to take effect only upon acceptance of the appointment by the replacement Escrow Bank.

Section 7. Amendment. This Escrow Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents thereto of the owners of one hundred percent (100%) in aggregate principal amount of the 2002 Bonds then outstanding shall have been filed with the Escrow Bank. This Escrow Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such 2002 Bondowners, but only (a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the District, (b) to cure, correct or supplement any ambiguous or defective provision contained herein, or (c) in regard to questions arising hereunder as the parties hereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the owners of the 2002 Bonds, and that such amendment will not cause interest on the 2002 Bonds to become subject to federal income taxation.

Section 8. Severability. If any section, paragraph, sentence, clause or provision of this Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Escrow Agreement.

Section 9. Notices to Escrow Bank and District. Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the principal corporate trust office of the Escrow Bank at U.S. Bank National Association, One California Street, Suite 1000, San Francisco, California 94111, Attention: Corporate Trust Services (or such other address as may have been filed in writing by the Escrow Bank with the District). Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the Los Osos Community Services District, 2122 Ninth Street, Los Osos, California 93402, Attention: General Manager (or such other address as may have been filed in writing by the District with the Escrow Bank).

Section 10. Merger or Consolidation of Escrow Bank. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any

company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to act as paying agent under the 2002 Resolution, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

Section 11. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Escrow Bank for the payment and discharge of the principal of, and the interest on, the 2002 Bonds which remains unclaimed for two (2) years after the date when the payment of such principal and interest have become payable, if such moneys were held by the Escrow Bank at such date, shall be repaid by the Escrow Bank to the District as its absolute property free from any trust, and the Escrow Bank shall thereupon be released and discharged with respect thereto and the owners of such 2002 Bonds shall look only to the District for the payment of the principal of, and interest and any premium on, such 2002 Bonds. Any right of any 2002 Bondowner to look to the District for such payment shall survive only so long as required under applicable law.

Section 12. Execution of Counterparts. This Escrow Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 13. Governing Law. This Escrow Agreement shall be construed and governed in accordance with the laws of the State of California applicable to contracts made and performed in such State.

IN WITNESS WHEREOF, the LOS OSOS COMMUNITY SERVICES DISTRICT has caused this Escrow Agreement to be signed in its name by its General Manager, and U.S. BANK NATIONAL ASSOCIATION, has caused this Escrow Agreement to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

LOS OSOS COMMUNITY SERVICES
DISTRICT

By: _____
General Manager

U.S. BANK NATIONAL ASSOCIATION, as
Escrow Bank

By: _____
Authorized Officer

12053.01:J15827

EXHIBIT A

REDEMPTION SCHEDULE FOR THE 2002 BONDS

<u>Redemption Date</u>	<u>Principal Redeemed</u>	<u>Accrued Interest</u>	<u>Total Payment</u>
March 2, 2019	\$12,000,000.00	\$300,000.00	\$12,300,000.00

EXHIBIT B

FORM OF NOTICE OF REDEMPTION

NOTICE OF FULL/FINAL REDEMPTION OF

**Los Osos Community Services District
Wastewater Assessment District No. 1
Limited Obligation Improvement Bonds**

<u>Maturity Date</u>	<u>Amount Called</u>	<u>Redemption Price⁽¹⁾</u>	<u>Interest Rate</u>	<u>CUSIP Number⁽²⁾</u>
September 2, 2023	\$3,075,000	100%	5.00%	54559P AL0
September 2, 2033	8,925,000	100	5.00	54559P AM8

NOTICE is hereby given that the Los Osos Community Services District (the "District") has called for redemption on March 2, 2019 (the "Redemption Date") all of its outstanding Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds (the "Bonds"), at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date (the "Redemption Price").

On the Redemption Date, the Redemption Price will become due and payable upon each Bond and interest with respect thereto shall cease to accrue from and after the Redemption Date. Notwithstanding the foregoing, because March 2, 2019 is not a Business Day, as defined in the Resolution pursuant to which the Bonds were issued, the Redemption Price will be paid on March 4, 2019, the next succeeding Business Day, in accordance with the provisions of said Resolution.

Payment of principal will be made upon presentation of the Bonds on and after March 4, 2019, at the following address:

Delivery Address
U.S. Bank
Global Corporate Trust Services
111 Fillmore Ave E
St. Paul, MN 55107

Interest on the Bonds shall cease to accrue on and after the Redemption Date.

Under the applicable federal regulations, federal backup withholding tax will be withheld at the applicable backup withholding rate in effect at the time the payment is made if the Bondowner's tax identification number is not properly certified. The Form W-9 may be obtained from the Internal Revenue Service.

Dated: _____, 2019

U.S. BANK NATIONAL
ASSOCIATION, as Paying Agent

⁽¹⁾ Accrued interest to be added.

⁽²⁾ Neither the District nor U.S. Bank National Association, as fiscal agent, shall be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness as shown in this Notice of Full/Final Redemption. They are included solely for convenience of the owners of the Bonds.

EXHIBIT C

NOTICE OF DEFEASANCE

**Los Osos Community Services District
Wastewater Assessment District No. 1
Limited Obligation Improvement Bonds**

<u>Maturity Date</u>	<u>Amount Defeased</u>	<u>CUSIP Number</u>
September 2, 2023	\$3,075,000	54559P AL0
September 2, 2033	8,925,000	54559P AM8

NOTICE IS HEREBY GIVEN, on behalf of the Los Osos Community Services District (the "District") to the owners of the outstanding Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds (the "Bonds"), that under the Resolution pursuant to which the Bonds were issued (the "Resolution") the lien of the Resolution with respect to the Bonds has been discharged through the irrevocable deposit of cash and federal securities in an escrow fund (the "Escrow Fund"). The Escrow Fund has been established and is being maintained pursuant to that certain Escrow Agreement, dated as of February 1, 2019, by and between the District and U.S. Bank National Association, as escrow bank. As a result of such deposit, the Bonds are deemed to have been paid and defeased in accordance with the Resolution. The pledge of the funds provided for under the Resolution and all other obligations of the District to the owners of the Bonds shall hereafter be limited to the application of moneys in the Escrow Fund for the payment of the redemption price of the Bonds as described below.

The cash and federal securities held in the Escrow Fund are calculated to provide sufficient moneys to redeem the Bonds in full on March 2, 2019 at a redemption price equal to 100% of the principal thereof plus accrued interest to such date.

DATED this ____ day of _____, 2019

U.S. BANK NATIONAL ASSOCIATION, as
Escrow Bank

EXHIBIT D

SCHEDULE OF ESCROWED FEDERAL SECURITIES

<u>Type</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Principal</u>	<u>Price</u>
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SUPPLEMENT NO. 3 TO AUTHORIZING RESOLUTION

by and between the

LOS OSOS COMMUNITY SERVICES DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION, as Trustee and as Paying Agent

dated as of February 1, 2019

relating to:

Resolution No. 2002-33 adopted by the Board of Directors of the Los Osos Community Services District on August 15, 2002 (as amended and supplemented by Resolution Nos. 2002-41 and 2006-29 adopted by the Board of Directors of the District on October 3, 2002 and November 16, 2006, respectively), pertaining to the Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds

SUPPLEMENT NO. 3 TO AUTHORIZING RESOLUTION

THIS SUPPLEMENT NO. 3 TO AUTHORIZING RESOLUTION (the "Third Supplement") dated as of February 1, 2019, is by and between the Los Osos Community Services District, a community services district organized and existing under the laws of the State of California (the "District"), and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee") and as paying agent (the "Paying Agent") for the Bonds (as defined below).

R E C I T A L S :

WHEREAS, on August 15, 2002, the Board of Directors of the District adopted Resolution No. 2002-33 (the "Original Authorizing Resolution") authorizing the issuance of bonds secured by assessments levied on property in the District's Wastewater Assessment District No. 1, and on November 7, 2002, the District issued its \$17,990,000 initial principal amount of Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds (the "Bonds") to finance certain public wastewater improvements for the District; and

WHEREAS, on October 3, 2002 the Board of Directors of the District adopted Resolution No. 2002-41 (the "First Supplement") supplementing the Original Authorizing Resolution, and on November 16, 2006, the Board of Directors of the District adopted Resolution No. 2006-29 (the "Second Supplement") amending and further supplementing the Original Authorizing Resolution (the Original Authorizing Resolution, as amended and supplemented by the First Supplement and by the Second Supplement is referred to in this Third Supplement as the "Authorizing Resolution"); and

WHEREAS, the District now desires to add provisions to the Authorizing Resolution in order to allow for a defeasance of the Bonds on February __, 2019 in connection with a financing program to provide funds to redeem the outstanding Bonds on March 2, 2019, as well as to make certain other technical amendments to the Authorizing Resolution, and the District has concluded that this Third Supplement will not adversely affect the interests of the owners of the Bonds and has requested that the Trustee, in its capacities as Trustee and as Paying Agent for the Bonds, enter into this Third Supplement so that the Authorizing Resolution can be amended and supplemented as provided herein.

A G R E E M E N T :

NOW, THEREFORE, the District and the Trustee agree as follows:

Section 1. Amendments.

(a) Whenever used in the Authorizing Resolution or this Third Supplement, the following capitalized terms shall have the meanings given to them in this Section 1(a):

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Paying Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

“Federal Securities” “means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State for funds held by the Trustee: (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as stripped obligations and coupons; or (ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

“Principal Office” means the principal office of the Trustee in Los Angeles, California, located at such address as shall be specified in a written notice by the Trustee to the District or such other office designated for payment, transfer or exchange of bonds.

(b) The Authorizing Resolution is hereby amended by adding thereto, as a new seventh paragraph thereof, the following:

“Notwithstanding the foregoing, any notice of redemption of Bonds may state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the redemption shall not occur if by no later than the scheduled redemption date sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled redemption date to so redeem the Bonds to be redeemed, the Paying Agent shall send written notice to the owners of the Bonds to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of redemption was given shall remain Outstanding for all purposes of this Resolution.”

(c) The Authorizing Resolution is hereby further amended by adding thereto, as a new Section 18 thereof, the following:

“If the District shall pay and discharge the entire indebtedness on all Bonds outstanding in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and any premium on, all Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Redemption Fund and the Reserve Fund is fully sufficient to pay all Bonds outstanding, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Trustee, in trust, cash and Federal Securities in such amount as the District shall determine, as confirmed by an independent certified public accountant, which will, together with the interest to accrue thereon and moneys then on deposit in the Redemption Fund and the Reserve Fund, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then, at the election of the District, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Assessments and other funds provided for in this Resolution and all other obligations of the District under this Resolution with respect to all Bonds outstanding shall cease and terminate, except only the obligations of the District under Section 12 hereof and the obligations of the District to pay or cause to be paid to the owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Paying Agent pursuant to Section 6 hereof; and thereafter Assessments shall not be deposited to the Redemption Fund. Notice of such election shall be filed with the Paying Agent, and the Paying Agent shall provide notice of such defeasance to the owners of the Bonds with a copy to the District. Any funds thereafter held by the District which are not required for said purpose shall be used by the District as provided in the 1913 Act and the Act."

(d) The Authorizing Resolution is hereby further amended by adding thereto, as a new Section 19 thereof, the following:

Section 19. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Resolution is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no additional interest shall accrue from such date for payment until such Business Day.

Section 2. Effective Date. This Third Supplement shall become effective upon the execution hereof by the District, the Trustee and the Paying Agent.

Section 3. Findings and Determinations; Directions to Trustee. The District hereby finds and determines that the amendments to the Authorizing Resolution set forth in this Third Supplement do not adversely affect the interests of the owners of the Bonds.

The District hereby requests that the Trustee and the Paying Agent enter into this Third Supplement, and hereby directs the Trustee and the Paying Agent to call all of the Bonds for redemption on March 2, 2019.

Section 4. Execution in Several Counterparts. This Third Supplement may be executed in any number of counterparts, each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 5. Governing Law. This Third Supplement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in such State.

Section 6. Incorporation By Reference. The amendments contained in this Third Supplement shall be incorporated by this reference thereto into the Authorizing Resolution, which Authorizing Resolution as so amended shall serve as the sole operative Authorizing Resolution in connection with the Bonds.

Section 7. Ratification and Reaffirmation of Authorizing Resolution. Except as hereby expressly amended, the Authorizing Resolution shall remain in full force and effect; and the Authorizing Resolution, as amended hereby, is ratified and confirmed.

Section 8. Interpretation. In the event of any conflict between the provisions of the Authorizing Resolution and the provisions of this Third Supplement, the provisions of this Third Supplement shall control.

Section 9. Binding Effect. This Third Supplement shall inure to the benefit of and shall be binding upon the District, the Trustee, the Paying Agent and the owners of the Bonds and their respective successors and assigns.

IN WITNESS WHEREOF, the District has caused this Third Supplement to be executed in its name, and the Trustee and Paying Agent has caused this Third Supplement to be executed in its name, all as of the date first set forth above.

LOS OSOS COMMUNITY SERVICES
DISTRICT

By: _____
General Manager

U.S. BANK NATIONAL ASSOCIATION, as
Trustee and as Paying Agent under the
Authorizing Resolution

By: _____
Vice President

12053.01:J15830

§ _____
**LOS OSOS COMMUNITY SERVICES DISTRICT
LIMITED OBLIGATION REFUNDING BONDS
WASTEWATER ASSESSMENT DISTRICT NO. 1
(REASSESSMENT AND REFUNDING OF 2019)**

BOND PURCHASE AGREEMENT

_____, 2019

Los Osos Community Services District
2122 Ninth Street
Los Osos, California 93402

Ladies and Gentlemen:

Brandis Tallman LLC (the “**Underwriter**”) acting not as fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement with the Los Osos Community Services District (the “**District**”) which, upon acceptance, will be binding upon the District and the Underwriter. This offer is made subject to its acceptance by the District on the date hereof, and it is subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance by the District. Capitalized terms that are used in this offer and not otherwise defined herein shall have the respective meanings ascribed to them in the Fiscal Agent Agreement (as hereinafter defined).

The District acknowledges and agrees that: (i) the purchase and sale of the Bonds (as such term is defined below) pursuant to this Bond 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 a principal and is not and has not been acting as a “municipal advisor” (as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)) to the District; (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); (iv) the Underwriter has financial interests that may differ from and be adverse to those of the District; and (v) the District has consulted its own legal, financial and other advisors to the extent that it has deemed appropriate for this transaction.

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter agrees to purchase from the District, and the District agrees to sell to the Underwriter, all (but not less than all) of the Los Osos Community Services District, Limited Obligation Refunding Bonds, Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019) (the “**Bonds**”) in the aggregate principal amount specified in Exhibit A hereto. The Bonds shall be dated the Closing Date (as hereinafter defined), bear interest from said date (payable semiannually on March 2 and September 2 in each year, commencing September 2, 2019) at the rates per annum, and mature on the dates and in the amounts set forth in Exhibit A hereto. The purchase price for the Bonds shall be the amount specified as such in Exhibit A.

(b) The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and be subject to redemption as provided in, the Fiscal Agent Agreement, dated as of February 1, 2019 (the “**Fiscal Agent Agreement**”), by and between the District and U.S. Bank National Association, as fiscal agent (the “**Fiscal Agent**”), approved by a resolution (the “**Resolution**”) adopted by the Board of Directors (the “**Board**”) of the District on January 10, 2019.

(c) The Bonds are being issued by the District to (i) redeem and defease the Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds, currently outstanding in the aggregate principal amount of \$ _____ (the “**Prior Bonds**”), (ii) fund the Reserve Fund and (iii) pay the costs of issuing the Bonds.

(d) Subsequent to its receipt of a certificate from the District deeming the Preliminary Official Statement for the Bonds, dated _____, 2019 (which Preliminary Official Statement, together with the cover page and all appendices thereto, is herein collectively referred to as the “**Preliminary Official Statement**” and which, as amended with the prior approval of the Underwriter and executed by the District, will be referred to herein as the “**Official Statement**”), final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (“**Rule 15c2-12**”), the Underwriter distributed copies of the Preliminary Official Statement to potential purchasers of Bonds. The District hereby ratifies the use by the Underwriter of the Preliminary Official Statement and authorizes the Underwriter to use and distribute the Official Statement, the Fiscal Agent Agreement, the Continuing Disclosure Certificate, dated as of February 1, 2019 (the “**Continuing Disclosure Certificate**”), executed by the District and NBS Government Finance Group, as dissemination agent, this Bond Purchase Agreement, an Escrow Agreement, dated as of February 1, 2019 (the “**Escrow Agreement**”), by and between the District and U.S. Bank National Association, as escrow bank (the “**Escrow Agent**”), relating to the defeasance and redemption of the Prior Bonds and any other documents or contracts to which the District is a party, and all information contained therein, and all other documents, certificates and statements in each case as furnished by the District to the Underwriter in connection with the transactions contemplated by this Bond Purchase Agreement, in connection with the offer and sale of the Bonds by the Underwriter.

(e) At 8:00 A.M., Pacific Daylight Time, on _____, 2019, or at such earlier 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 in New York, New York, 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 Quint & Thimmig LLP, Larkspur, California (“**Bond Counsel**”), the

other documents herein mentioned; and the Underwriter shall accept such delivery and pay the purchase price of the Bonds in same day funds (such delivery and payment being herein referred to as the “**Closing**”). The Bonds, as so registered, shall be made available to the Underwriter for inspection not later than the second to last business day before the Closing Date.

2. Public Offering.

(a) 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 an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) 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 Satisfied” in Exhibit A, is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond 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 the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Bond 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 “Subject to Hold the Offering Price Rule,” as of the date of this Bond Purchase Agreement, the maturities, if any, of the Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the close of the business day immediately following the date of this Bond Purchase Agreement) and (ii) 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 shall promptly advise the District when 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, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(d) The Underwriter confirms that:

(i) 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 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.

(ii) 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.

(e) The District acknowledges that, in making the representation 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.

(f) 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 (A) 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), (B) 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 (C) 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 Bond Purchase Agreement by all parties.

3. Representations, Warranties and Agreements of the District. The District represents, warrants and covenants to and agrees with the Underwriter that:

(a) The District is a community services district duly organized and validly existing under the laws of the State of California and has, and at the Closing Date will have, full legal right, power and authority (i) to execute, deliver and perform its obligations under this Bond Purchase Agreement, the Fiscal Agent Agreement, the Escrow Agreement, a Supplement No. 3 to Authorizing Resolution, dated as of February 1, 2019, between the District and U.S. Bank National Association, as trustee and paying agent, and the Continuing Disclosure Agreement (collectively, the “**District Documents**”) and to carry out all transactions on its part contemplated by each of the District Documents, (ii) to issue, sell and deliver the Bonds to the Underwriter pursuant to the Resolution and Fiscal Agent Agreement as provided herein, and (iii) to carry out, give effect to and consummate the transactions on its part contemplated by the Official Statement and the District Documents;

(b) The District has complied, and at the Closing Date will be in compliance, in all material respects, with the District Documents; and an immaterial compliance therewith by the District, if any, will not impair the ability of the District to carry out, give effect to or consummate the transactions on its part contemplated by the foregoing. From and after the date of issuance of the Bonds, the District will continue to comply with the covenants of the District contained in the District Documents;

(c) The Board has duly and validly: (i) taken or caused to be taken, all proceedings necessary under the Constitution and laws of the State of California in order to form the Los Osos Community Services District Wastewater Assessment District No. 1 (the “**Reassessment District**”), to confirm reassessments (the “**Reassessments**”) on the parcels located within the Reassessment District in the respective amounts shown in the report of the Reassessment Engineer approved by the Board on January 10, 2019 (the “**Engineer’s Report**”), to cause each of the Reassessments to be a valid lien upon the parcel upon which it was confirmed and to authorize the sale and issuance of the Bonds, (ii) authorized and approved the execution and delivery of the District Documents, (iii) authorized the preparation and delivery of the Preliminary Official Statement and the Official Statement, and (iv) 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 on its part contemplated by, each of the District Documents (including, without limitation, the collection of the Reassessments); and the Reassessment District has been validly formed, the Reassessments have been validly confirmed and constitute liens on the respective parcels within the Reassessment District, and (assuming due authorization, execution and delivery by other parties thereto, where necessary) the District Documents and the Bonds will constitute the valid, legal and binding obligations of the District enforceable against the District in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and to the application of equitable principles;

(d) The District is not in breach of or default under any applicable law or administrative rule or regulation of the United States or the State of California, or of any department, division, agency or instrumentality of either of them, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, fiscal agent agreement, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the performance by the District of its obligations under the District Documents or the Bonds; and compliance by the District with the provisions of each thereof will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the United States or the State of California, or of any department, division, agency or instrumentality of either of them, or under any applicable court or administrative decree or order, or a material breach of or default under any loan agreement, note, resolution, fiscal agent agreement, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound;

(e) Except for compliance with the blue sky or other states securities law filings, as to which the District makes no representations, all approvals, consents, authorizations, elections and orders of or filings or registrations with any State 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, or under the other District Documents or the Bonds, have been obtained and are in full force and effect;

(f) 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 becomes aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement, in light of the circumstances existing at such time, not misleading, the District shall forthwith notify the Underwriter of such event and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary 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);

(g) The Fiscal Agent Agreement creates a valid pledge of the Reassessments and the moneys in the Redemption Fund and the Reserve Fund, 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; and said pledge constitutes a first lien on and security interest in all of the foregoing;

(h) 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 (collectively and individually, an “**Action**”) with respect to which the District has been served with process is pending or, to the knowledge of the District, is threatened against the District (i) which would materially adversely affect the ability of the District to perform its obligations under the District Documents or the Bonds, or (ii) seeking to restrain or to enjoin: (A) the issuance, sale or delivery of the Bonds, (B) the application of the proceeds thereof in accordance with the Fiscal Agent Agreement and Escrow Agreement, or (C) the collection or application of the Reassessments, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the District Documents, or any action contemplated by any of said documents, or (iii) in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the powers or authority of the District with respect to the Bonds, the District Documents, or any action of the District contemplated by any of said documents; nor is there any action with respect to which the District has been served with process pending or, to the knowledge of the District, threatened against the District which alleges that interest on the Bonds is not excludable from gross income for federal income tax purposes or is not exempt from California personal income taxation;

(i) 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 in order for the Underwriter 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, the District shall not be required to register as a dealer or a broker of securities or to consent to service of process in connection with any blue sky filing;

(j) Any certificate delivered to the Underwriter and signed by any authorized official of the District authorized to do so shall be deemed a representation and warranty to the Underwriter as to the statements made therein;

(k) The District will apply the proceeds of the Bonds in accordance with the Fiscal Agent Agreement and as described in the Official Statement;

(l) The statements and information in the Official Statement (except the information relating to The Depository Trust Company and its book-entry only-system, as to which no view need be expressed) is, as of the date thereof, and will be, as of the Closing Date, true and correct in all material respects; and the Official Statement (except the information relating to The Depository Trust Company and its book-entry-only system, as to which no view need be expressed), does not, as of the date thereof, and will not, as of the Closing Date, 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; and

(m) The Preliminary Official Statement heretofore delivered to the Underwriter has been deemed final by the District as of its date, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of Rule 15c2-12; and the District hereby covenants and agrees that, within seven (7) business days from the date hereof, or (upon reasonable written notice from the Underwriter) within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the District shall cause the Official Statement to be delivered to the Underwriter in a quantity and/or in an electronic format as mutually agreed upon by the Underwriter and the District so that the Underwriter may comply with paragraph (b)(4) of Rule 15c2-12 and Rules G-12, G-15, G-32 and G-36 of the Municipal Securities Rulemaking Board.

4. 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 shall be 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 herein, 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 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 hereunder at or prior to the Closing Date and to the following additional conditions:

(a) At the Closing Date, the District Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Bond Purchase Agreement, all such actions as, in the opinion of Bond Counsel for the District, and Kutak Rock LLP, counsel to the Underwriter, shall be necessary and appropriate.

(b) The information contained in the Official Statement will, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant to Section 3(g) hereof, be true and correct in all material respects and will not, as of the Closing Date or as of the date of any supplement or amendment thereto pursuant to Section 3(g) hereof, 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 the light of the circumstances under which they were made, not misleading.

(c) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth on the inside cover page of the Official Statement, of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall not have been materially adversely affected, in the 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:

(1) 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;

(2) 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, 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, including any or all underlying arrangements, 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, including any or all underlying arrangements, 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;

(3) 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, its property, income, securities (or interest thereon), or the validity or enforceability of the Reassessments;

(4) any event occurring, or information becoming known, which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or results in 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;

(5) the declaration of war or the 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 which, in the judgment of the Underwriter, makes it impracticable or inadvisable to proceed with the offering or the delivery of the Bonds on the terms and in the manner contemplated in the Official Statement;

(6) 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 Securities and Exchange Commission (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;

(7) 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;

(8) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred;

(9) 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;

(10) 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; or

(11) any proceeding shall have been commenced or be threatened in writing by the SEC against the District; or

(12) the commencement of any Action; or

(13) 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 of 1933, as amended, the Exchange Act, and the Trust Indenture Act of 1939, as amended.

(d) On the Closing Date, the Underwriter shall have received counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) The District Documents, each duly executed by the parties thereto;

(2) The Official Statement, duly executed by the District;

(3) The approving opinion for the Bonds, dated the Closing Date and addressed to the District, of Quint & Thimmig LLP, Bond Counsel for the District, in the form attached to the Official Statement as Appendix D, and a reliance letter dated the Closing Date and addressed to the Underwriter, to the effect that such approving opinion addressed to the District may be relied upon by the Underwriter to the same extent as if such opinion was addressed to it;

(4) A supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Quint & Thimmig LLP, Bond Counsel for the District, to the effect that (i) this Bond Purchase Agreement has been duly authorized, executed and delivered by the District, and, assuming such agreement constitutes the valid and binding obligation of the Underwriter, constitutes the legally valid and binding agreement of the District enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity; (ii) 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 pursuant to the Trust Indenture Act of 1939, as amended; and (iii) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," and "TAX MATTERS" and Appendices B and D (except that no opinion or belief need be expressed as to any financial or statistical data, any forecasts, any assumptions or any expressions of opinion or any information related to DTC or its book-entry system contained in the Official Statement), are accurate insofar as such statements expressly summarize certain provisions of the Bonds, the Fiscal Agent Agreement and the opinion of such firm concerning the exclusion from gross income for federal income tax purposes and the exemption from State of California personal income taxes of interest on the Bonds;

(5) An opinion, dated the Closing Date and addressed to the District and to the Underwriter, of Quint & Thimmig LLP, Disclosure Counsel for the District, to the effect that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the District, the Underwriter, Wulff, Hansen & Co. and others, and their examination of certain documents, nothing has come to their attention which has led them to believe

that the Official Statement, as of its date and as of the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits 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 no opinion or belief need be expressed as to any financial or statistical data, any forecasts, any assumptions or any expressions of opinion contained in the Official Statement);

(6) A certificate, dated the Closing Date and signed by an authorized representative of the District, ratifying the use and distribution by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the Bonds and certifying that (i) the representations and warranties of the District contained in Section 3 hereof 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 except that all references therein to the Preliminary Official Statement shall be deemed to be references to the Official Statement; (ii) to the best of his or her knowledge, no event has occurred since the date of the Official Statement affecting the matters contained therein which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make the statements and information contained in the Official Statement not misleading in any material respect, and the Bonds and the District Documents conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the District has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the District Documents at or prior to the Closing Date;

(7) An opinion, dated the Closing Date and addressed to the Underwriter, of General Counsel to the District, to the effect that (i) to the best of his or her knowledge and 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 which has been served on the District is pending or is known to be threatened 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 and Escrow Agreement, or the collection of the Reassessments, 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, with full legal right, power and authority to perform all of its obligations under the District Documents; (iii) the District has obtained all approvals, consents, authorizations, elections and orders of or filings or registrations with any State governmental authority, board, agency or commission having jurisdiction which constitute a condition precedent to the confirmation and collection of the Reassessments, the issuance of the Bonds or the performance by the District of its obligations thereunder or under the Fiscal Agent Agreement, except that no opinion need be expressed regarding compliance with blue sky or other securities laws or regulations; and (iv) the Board has duly and validly adopted the resolutions forming the Reassessment District, confirming the Reassessments, approving the District Documents and authorizing the sale and issuance of the Bonds 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;

(8) A certificate dated the Closing Date of NBS Government Finance Group (the “**Reassessment Engineer**”) to the effect that: (i) the information contained in the Official Statement provided by it for inclusion therein does not contain an 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; and (ii) the Engineer’s Report

provided by the Reassessment Engineer complies with the requirements of Streets & Highways Code Section 9523 and, in the opinion of the Reassessment Engineer, the Reassessments, as set forth in the Engineer's Report, comply with Streets & Highways Code Section 9525(a);

(9) 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;

(10) A certificate of U.S. Bank National Association, as Fiscal Agent and Escrow Agent, dated the Closing Date in form and substance reasonably acceptable to the Underwriter and the District;

(11) An opinion, dated the Closing Date and addressed to the Underwriter and the District, of counsel to U.S. Bank National Association, as Fiscal Agent and Escrow Agent, in form and substance acceptable to the Underwriter and the District;

(12) An opinion, Quint & Thimmig LLP addressed to the Underwriter in form and substance acceptable to the Underwriter that the Prior Bonds have been defeased and are no longer outstanding;

(13) An opinion of counsel to the Underwriter, addressed to the Underwriter and in form and substance acceptable to the Underwriter;

(14) A copy of the verification report of _____, concluding that the amount of the proceeds of the Bonds and the securities deposited pursuant to the Escrow Agreement are sufficient to defease and redeem the Prior Bonds;

(15) A copy of the Engineer's Report;

(16) A certified copy of the Resolution; and

(17) 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 statements and information contained in the Preliminary Official Statement and the Official Statement, of the District's representations and warranties contained herein, 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 Official Statement.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the District shall be under any further obligation hereunder, except that the respective obligations of the District and the Underwriter set forth in Section 5 and Section 6 hereof shall continue in full force and effect.

5. Conditions of the District's Obligations. The District's obligations hereunder are subject to the Underwriter's performance of its obligations hereunder, and are also subject to the following conditions:

(a) As of the Closing Date, no litigation shall be pending or, to the knowledge of the duly authorized officer of the District executing the certificate referred to in Section 4(d)(6) hereof, threatened, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds or the District Documents or the existence or powers of the District; and

(b) As of the Closing Date, the District shall receive the approving opinions of Bond Counsel and Disclosure Counsel referred to in Section 4(d)(3) and (5) hereof, dated as of the Closing Date.

6. 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 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 Wulff, Hansen & Co, as municipal advisor, the Reassessment Engineer, the Fiscal Agent, Escrow Agent, Verification Agent, Bond Counsel and Disclosure Counsel and any 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 Bond 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.

7. Notices. Any notice or other communication to be given to the District under this Bond Purchase Agreement may be given by delivering the same in writing to the District's General Manager, 2122 Ninth Street, Los Osos, California 93402, and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to Brandis Tallman LLC, 22 Battery Street, Suite 500, San Francisco, California 94111, Attention: Richard Brandis.

8. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the District and the Underwriter (including their successors or assigns), and no other person shall acquire or have any right hereunder or by virtue hereof.

9. Survival of Representations, Warranties and Agreements. The representations, warranties and agreements of the District set forth in or made pursuant to this Bond Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and 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.

10. Effective. This Bond 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.

11. No Prior Agreements. This Bond 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.

12. Governing Law. This Bond Purchase Agreement shall be governed by the laws of the State of California applicable to contracts made and performed in California.

13. Counterparts. This Bond 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,

BRANDIS TALLMAN LLC

By: _____
Authorized Representative

The foregoing is hereby agreed to and accepted as of the date first above written:

**LOS OSOS COMMUNITY SERVICES
DISTRICT**

By: _____
Authorized Officer

Time of Execution: _____ p.m.
California time

EXHIBIT A

MATURITY SCHEDULE

\$ _____
**LOS OSOS COMMUNITY SERVICES DISTRICT
LIMITED OBLIGATION REFUNDING BONDS
WASTEWATER ASSESSMENT DISTRICT NO. 1
(REASSESSMENT AND REFUNDING OF 2019)**

<u>Maturity (September 2)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Satisfied*</u>	<u>10% Test Not Satisfied</u>	<u>Subject to Hold-The- Offering- Price Rule</u>
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
20__ ^(T)							
20__ ^(T)							

^(T) Term Bond.

^(C) Priced to optional call at [par] on September 2, 20__.

* At the time of execution of this Bond Purchase Agreement and assuming orders are confirmed by the close of the business day immediately following the date of this Bond Purchase Agreement.

1. **Purchase Price.** The purchase price of the Bonds shall be \$ _____, which is the principal amount thereof less Underwriter's Discount of \$ _____ and less a net Original Issue Discount of \$ _____.

2. **Redemption Provisions.**

Optional Redemption. The Bonds maturing on or after September 2, 20__ are subject to optional redemption prior to their stated maturity on any Interest Payment Date occurring on or after September 2, 20__, as a whole, or in part, in an amount equal to \$5,000 or any integral multiple thereof and among maturities so as to maintain substantially level debt service on the Bonds, and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 2, 20__ and March 2, 20__	103%
September 2, 20__ and March 2, 20__	102
September 2, 20__ and March 2, 20__	101
September 2, 20__ and any Interest Payment Date thereafter	100

Mandatory Redemption. Each Bond, or any portion of the principal thereof in the principal amount of \$5,000 or any integral multiple of \$5,000 in excess thereof, may be redeemed and paid in advance of maturity from prepayments of Reassessments by property owners under Sections 8766 or 8766.5 of the California Streets and Highways Code, on any Interest Payment Date in any year by giving at least 30 days' notice to the Owner thereof in accordance with the Bond Law 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 a percentage of the principal amount of Bonds being redeemed as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 2, 20__	103%
September 2, 20__ and March 2, 20__	102
September 2, 20__ and March 2, 20__	101
September 2, 20__ and any Interest Payment Date thereafter	100

EXHIBIT B

FORM OF ISSUE PRICE CERTIFICATE

§ _____
**LOS OSOS COMMUNITY SERVICES DISTRICT
LIMITED OBLIGATION REFUNDING BONDS
WASTEWATER ASSESSMENT DISTRICT NO. 1
(REASSESSMENT AND REFUNDING OF 2019)**

The undersigned, on behalf of Brandis Tallman LLC (“Brandis Tallman”) 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. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Issuer* means the Los Osos Community Services District.

(c) *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.

(d) *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.

(e) *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).

4. ***Reserve Fund.*** The establishment of the Reserve Fund for the Bonds in the amount of the Reserve Requirement (as such terms are defined in the Fiscal Agent Agreement, dated as of February 1, 2019, by and between the Issuer and U.S. Bank National Association, 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.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Brandis Tallman’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 the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Quint & Thimmig 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.

BRANDIS TALLMAN LLC

By: _____

Name: _____

Dated: _____, 2019

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES

(Attached)

PRELIMINARY OFFICIAL STATEMENT DATED AS OF JANUARY __, 2019

NEW ISSUE, BOOK-ENTRY ONLY

RATING: S&P _____
(See "RATING" herein)

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject however, to certain qualifications described herein, under existing law, the interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations for taxable years that began prior to January 1, 2019. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.



\$11,310,000*

LOS OSOS COMMUNITY SERVICES DISTRICT LIMITED OBLIGATION REFUNDING BONDS WASTEWATER ASSESSMENT DISTRICT NO. 1 (REASSESSMENT AND REFUNDING OF 2019)

Dated: Date of Delivery

Due: September 2, as shown on inside cover

The Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019) (the "Bonds") are being issued by the Los Osos Community Services District (the "District") pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (the "Act") and in accordance with a Fiscal Agent Agreement, dated as of February 1, 2019 (the "Fiscal Agent Agreement"), by and between the District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"). The proceeds of the Bonds will be used to: (i) redeem all of the District's outstanding Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds; (ii) make a deposit to a debt service reserve fund for the Bonds; and (iii) pay costs of issuing the Bonds as described herein.

Interest on the Bonds will be payable September 2 and March 2 of each year commencing September 2, 2019. The Bonds will be issued as full book-entry bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. The Bonds will be issued in authorized denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof. See "THE BONDS." Beneficial Owners (as defined herein) of Bonds will not receive physical certificates representing the Bonds purchased. Principal of and interest on the Bonds will be paid by the Fiscal Agent to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds as described herein. See "THE BONDS - General" and APPENDIX E - "DTC AND THE BOOK ENTRY ONLY SYSTEM."

The Bonds are payable from and are secured by a pledge of reassessments (the "Reassessments") levied by the District on real property in the District's Wastewater Assessment District No. 1. The Reassessments are being levied by the District under the authority of the Act, and the Bonds are secured only by the pledge of the Reassessments and moneys in the Redemption Fund and the Reserve Fund established under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

To provide funds for payment of the Bonds and interest thereon in the event of any delinquent Reassessment installments, the District will establish a Reserve Fund to be held by the Fiscal Agent and will deposit therein a portion of the proceeds of the Bonds. See "SECURITY FOR THE BONDS - Establishment of Funds and Accounts - Reserve Fund." Additionally, the District has covenanted to initiate judicial foreclosure in the event of a delinquency in the payment of reassessments under certain circumstances set forth in the Fiscal Agent Agreement (see "SECURITY FOR THE BONDS - Foreclosure Covenant"); however, the District has determined not to obligate itself to advance available funds from the District Treasury to cure any deficiency which may occur in the Redemption Fund by reason of the failure of a property owner to pay a Reassessment installment (see "SECURITY FOR THE BONDS - Limited Obligation; No Required Advances from Available Surplus Funds").

The Bonds are subject to redemption prior to maturity, as described herein. See "THE BONDS - Redemption."

THE BONDS ARE NOT A GENERAL OBLIGATION OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE FAITH AND CREDIT NOR ANY TAXING POWER OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.

This cover page contains certain information for general reference only. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds. See the section of this Official Statement entitled "BOND OWNERS' RISKS" for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

The Bonds will be offered when, as and if issued, subject to the approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Hanley & Fleishman, LLP, Atascadero, California, acting as general counsel to the District, and by Quint & Thimmig LLP, Larkspur, California, acting as Disclosure Counsel to the District for the Bonds. Kutak Rock LLP, Irvine, California, is acting as counsel for the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery in New York, New York, on or about February __, 2019.

BRANDIS TALLMAN LLC
INVESTMENT BANKING FOR CALIFORNIA COMMUNITIES

The date of this Official Statement is February __, 2019

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$11,310,000*
LOS OSOS COMMUNITY SERVICES DISTRICT
LIMITED OBLIGATION REFUNDING BONDS
WASTEWATER ASSESSMENT DISTRICT NO. 1
(REASSESSMENT AND REFUNDING OF 2019)

MATURITY SCHEDULE
 \$ _____ Serial Bonds

<u>Maturity</u> (September 2)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> [†]
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\$ _____ % Term Bonds due September 2, ____ Yield ____%, Price ____ CUSIP _____[†]

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Municipal Advisor, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. CUSIP® numbers are subject to change following the issuance of the Bonds.

* Preliminary, subject to change.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the District, the Assessment District or any other parties described in this Official Statement, or in the condition of property within the Assessment District since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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.

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. 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," "budget" or other similar words. 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 those forward-looking statements if or when any expectations, or events, conditions or circumstances on which such statements are based occur.

District Website. The District maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

LOS OSOS COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

Vicki L. Milledge, *President*
Marshall E. Ochylski, *Vice President*
Charles L. Cesena, *Director*
Matthew D. Fourcroy, *Director*
Christine M. Womack, *Director*

ADMINISTRATIVE STAFF

Renee Osborne, *General Manager*
Ann Kudart, *Administrative Services Manager*

PROFESSIONAL SERVICES

District Counsel
Hanley & Fleishman, LLP
Atascadero, California

Municipal Advisor
Wulff Hansen & Co.
San Rafael, California

Reassessment Engineer
NBS Government Finance Group
Temecula, California

Verification Agent
Causey Demgen & Moore, P.C.
Denver, Colorado

Fiscal Agent & Escrow Bank
U.S. Bank National Association
Los Angeles, California

Bond and Disclosure Counsel
Quint & Thimmig LLP
Larkspur, California

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OFFICIAL STATEMENT

\$11,310,000*

LOS OSOS COMMUNITY SERVICES DISTRICT LIMITED OBLIGATION REFUNDING BONDS WASTEWATER ASSESSMENT DISTRICT NO. 1 (REASSESSMENT AND REFUNDING OF 2019)

The purpose of this Official Statement, which includes the cover page and appendices hereto (the "Official Statement"), is to provide certain information concerning the sale and issuance by the Los Osos Community Services District (the "District") of its Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019) (the "Bonds"). Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given such terms in the Fiscal Agent Agreement (defined below). See also APPENDIX B – "SUMMARY OF THE FISCAL AGENT AGREEMENT – Definitions."

INTRODUCTION

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 the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and such documents. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Purpose and Authority for Issuance

The District is issuing the Bonds to provide funds to: (i) redeem the Prior Bonds (defined herein); (ii) fund a debt service reserve fund for the Bonds; and (iii) pay costs of issuing the Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds are being issued pursuant to the following: (a) the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 (commencing with Section 9500) of the California Streets and Highways Code (the "Act"); (b) Resolution No. _____ relating to the Bonds adopted by the Board of Directors of the District (the "Board of Directors") on January 10, 2019 (the "Resolution of Issuance"); and (c) a Fiscal Agent Agreement, dated as of February 1, 2019 (the "Fiscal Agent Agreement"), by and between the District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"). See also "THE BONDS – Authority for Issuance."

The District

The District is located in the unincorporated western portion of San Luis Obispo County, approximately 12 miles east of the City of San Luis Obispo. The District was formed on January 1, 1999, pursuant to the California Community Services District Act. The District is authorized to provide fire protection, water, drainage, street lighting, parks and recreation and solid waste and sewer services to approximately 14,600 residents in an approximately 5.38 square mile area. See "THE DISTRICT" and APPENDIX A—Community of Los Osos General Information. The District has no obligation to use its general funds for the payment of the Bonds; the Bonds are limited obligations of the District, payable solely from the funds pledged therefore under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

* Preliminary, subject to change.

The Assessment District

The District formed the Wastewater Assessment District No. 1 (the "Assessment District") in 2001 in accordance with the Municipal Improvement Act of 1913. The Assessment District originally included 5,079 parcels, but the fiscal year 2018-19 assessment levy included only 4,188 parcels due to prepayments and certain adjustments. In 2002, the District issued the Assessment Bonds in the initial principal amount of \$17,990,000 to finance certain public wastewater improvements.

A list of the parcels and the respective Reassessments (as defined below) applicable to them, together with certain other related information, is set forth under the heading "THE ASSESSMENT DISTRICT." The aggregate assessed value of said parcels, as shown on the San Luis Obispo County Assessment Roll for Fiscal Year 2018-19 was \$1,387,678,320. While the value-to-lien ratios for the individual parcels in the Assessment District vary widely, the aggregate assessed value of the parcels in the Assessment District is approximately 123* times the total \$11,310,000* of the Reassessment liens applicable to such properties. See "SECURITY FOR THE BONDS—Direct and Overlapping Debt" and "THE ASSESSMENT DISTRICT—Overlapping Indebtedness" for a discussion of certain existing overlapping indebtedness which is secured by liens against the parcels in the Assessment District, some which are on a parity with the lien of the Reassessments.

Prior Bonds. In connection with the formation of the Assessment District, the District issued its Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds on November 7, 2002 (the "Prior Bonds") pursuant to Resolution No. 2002-33, adopted by the Board of Directors of the District on August 15, 2002 (as amended and supplemented and in effect on the date hereof, the "Prior Resolution") for the purpose of, among other things, financing costs of public wastewater improvements. See "THE ASSESSMENT DISTRICT."

The proceeds from the sale of the Bonds, together with other available moneys, will be used to pay and redeem all of the outstanding Prior Bonds on March 2, 2019. See "PLAN OF REFUNDING."

Security and Sources of Payment for the Bonds

The Bonds are limited obligation improvement bonds of the District and are secured by a first pledge under the Fiscal Agent Agreement of all of the unpaid reassessments levied within the Assessment District ("Reassessments") pursuant to the Resolution of Intention and by the moneys deposited in the Redemption Fund and the Reserve Fund created pursuant to the Fiscal Agent Agreement. To provide funds for payment of the Bonds and the interest thereon in the event of a delinquency in the payment of Reassessments, the District will establish a Reserve Fund for the Bonds to be held by the Fiscal Agent under the Fiscal Agent Agreement and will deposit therein a portion of the proceeds of the sale of the Bonds. If the Reassessments collected by the District from levies in the Assessment District are insufficient to pay the scheduled debt service on the Bonds on any Interest Payment Date, the Fiscal Agent is required to transfer an amount equal to the insufficiency from the Reserve Fund into the Redemption Fund to the extent of funds in the Reserve Fund. Amounts in the Reserve Fund may also be used for other purposes specified in the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Establishment of Funds and Accounts – Reserve Fund."

* Preliminary, subject to change.

Installments of the Reassessments, which, along with certain investment earnings on funds held under the Fiscal Agent Agreement, are expected to be sufficient to pay the debt service on the Bonds, are to be included in the bills for *ad valorem* real property taxes mailed each year to the owners of parcels with unpaid Reassessments by the Treasurer-Tax Collector of San Luis Obispo County (the "County"). The Reassessments and all moneys and securities from time to time held by the Fiscal Agent in certain specified funds and accounts under the Fiscal Agent Agreement (with the exception of the Costs of Issuance Fund and the Administrative Expense Fund) are pledged to the payment of the principal of, redemption premium, if any, and interest on the Bonds. See "SECURITY FOR THE BONDS – Establishment of Funds and Accounts."

There is no assurance that funds will be available for this purpose, and if there are insufficient moneys in the Reserve Fund to fully satisfy any shortfall in funds in the Redemption Fund to pay the scheduled debt service on the Bonds, a delay may occur in payments to the Owners of the Bonds. No funds of the District other than the Reserve Fund will be available to cure any deficiency which may occur in the Redemption Fund. See "BOND OWNERS' RISKS." The District has covenanted to commence, or cause to be commenced, judicial foreclosure proceedings with respect to parcels with delinquent Reassessments under the circumstances described in the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Foreclosure Covenant" and "BOND OWNERS' RISKS – Foreclosure."

Description of the Bonds

The Bonds are being issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof. See "THE BONDS – General" and APPENDIX E – "DTC AND THE BOOK ENTRY ONLY SYSTEM." *So long as the Bonds are in book-entry form only, all references in this Official Statement to the owners or holders of the Bonds shall mean DTC and not the Beneficial Owners of the Bonds.*

Interest on the Bonds is payable semiannually on each March 2 and September 2, commencing September 2, 2019. See "THE BONDS – General."

The Bonds are subject to redemption prior to maturity. See "THE BONDS – Redemption."

Continuing Disclosure

The District, for purposes of Rule 15c2-12 of the U.S. Securities and Exchange Commission, has agreed pursuant to a Continuing Disclosure Agreement to provide certain financial information and operating data relating to the District, the Assessment District and the Bonds, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed by means of the Electronic Municipal Market Access ("EMMA") site maintained by the Municipal Securities Rulemaking Board ("MSRB"). See "CONTINUING DISCLOSURE." The specific nature of the financial information to be provided and the enumerated events are contained within APPENDIX C – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Bond Owners' Risks

Certain events could affect the availability of funds sufficient to pay the principal of and interest on the Bonds when due. See "BOND OWNERS' 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.

Limited Liability

As authorized by the Act, the District has determined not to obligate itself to advance available funds from the District Treasury to cure any deficiency which may occur in the Redemption Fund created and held by the Fiscal Agent as necessary to pay the scheduled debt service on the Bonds; provided however that the District is not prevented, in its sole discretion, from so advancing funds.

The Bonds are not an obligation of the State of California (the "State") or any of its political subdivisions, other than the District and then only to the limited extent set forth in the Fiscal Agent Agreement, and neither the District nor the State nor any of its political subdivisions has pledged its full faith and credit for the payment of the Bonds.

Professionals Involved in the Offering

The proceedings in connection with the issuance of the Bonds are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Bond Counsel to the District. Hanley & Fleishman, LLP, Atascadero, California, serves as the general counsel to the District. U.S. Bank National Association, Los Angeles, California, will act as the Fiscal Agent under the Fiscal Agent Agreement and as Escrow Bank under the Escrow Agreement (defined below). Quint & Thimmig LLP is also serving as Disclosure Counsel to the District for the Bonds. Kutak Rock LLP, Irvine, California, is acting as Underwriter's Counsel. Wulff, Hansen & Co., San Rafael, California, is acting as Municipal Advisor to the District. NBS Government Finance Group, Temecula, California (the "Reassessment Engineer") is providing reassessment consulting services to the District and has provided the Reassessment Engineer's Report attached hereto as APPENDIX F.

Bond Counsel, Disclosure Counsel, Underwriter's Counsel, the Municipal Advisor, the Fiscal Agent and the Escrow Bank will receive compensation from the District contingent upon the sale and delivery of the Bonds.

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, the Fiscal Agent Agreement and the Escrow 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 Escrow Agreement, the Bonds and the laws of the State, as well as the proceedings of the District for the Assessment District and the Bonds, are qualified in their entirety by reference to such documents, laws and proceedings, and with respect to the Bonds, by reference to the form thereof included in the Fiscal Agent Agreement.

Unless the context clearly requires otherwise, capitalized terms not otherwise defined in this Official Statement have the meanings set forth in the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement, and the resolutions and other documents described or referred to herein may be obtained from the District upon written request. The District's address for such purpose is: Los Osos Community Services District, 2122 Ninth Street, Los Osos, California 93402, Attention: Administrative Services Manager. The District may charge for duplication and mailing in response to requests for documents.

PLAN OF REFUNDING

The net proceeds from the sale of the Bonds, together with other available moneys on hand relating to the Prior Bonds, will be deposited into the Escrow Fund (as defined in the Escrow Agreement described below) created and held by U.S. Bank National Association, as escrow bank (the "Escrow Bank") pursuant to an Escrow Agreement between the District and Escrow Bank, dated as of February 1, 2019 (the "Escrow Agreement") to provide monies for the purpose of paying on March 2, 2019 (the "Redemption Date") the debt service due on the Prior Bonds on such date and the redemption price of the outstanding Prior Bonds maturing on and after September 2, 2019, being 100% of the then outstanding principal amount thereof, plus interest accrued to March 2, 2019 (the "Redemption Price"), thereby paying and redeeming, as applicable, all of the outstanding Prior Bonds. It is acknowledged that March 2, 2019 is not a Business Day (as defined in the Prior Resolution), so payment of the Redemption Price will be remitted to the owners of the Prior Bonds on the next succeeding Business Day being March 4, 2019, in accordance with the Prior Resolution.

The Escrow Bank will invest \$_____ of the moneys deposited into the Escrow Fund pursuant to the Escrow Agreement in Federal Securities (as defined in the Prior Resolution) (the "Escrowed Federal Securities"), and will hold the remaining \$_____ in cash, uninvested. The Escrowed Federal Securities shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the purpose of paying and redeeming the Prior Bonds. The sufficiency of the deposits to the Escrow Fund for this purpose will be verified by Causey Demgen & Moore, P.C., acting as verification agent. See "VERIFICATION OF MATHEMATICAL ACCURACY" below.

Proceeds of the Bonds will also be used to make a deposit to a debt service reserve fund for the Bonds. See "SECURITY FOR THE BONDS – Establishment of Funds and Accounts – Reserve Fund." In connection with the refunding, certain moneys related to the Prior Bonds will: (i) be deposited into the Redemption Fund in the amount of the interest due on the Bonds on September 2, 2019; and (ii) be deposited into the Escrow Fund in the amount of all funds remaining in the funds and accounts related to the Prior Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

THE BONDS

General

The Bonds will be dated their date of initial delivery and will bear interest at the respective rates per annum and mature on September 2 of the respective years and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds shall be paid in lawful money of the United States of America on March 2 and September 2 of each year (each, an "Interest Payment Date"), commencing September 2, 2019, by check of the Fiscal Agent mailed by first-class mail, postage prepaid, on each Interest Payment Date to the registered Owners thereof at the Owners' addresses as they appear on the Fiscal Agent's books of registration as of the close of business on the 15th day of the month immediately preceding said Interest Payment Date regardless of whether such day is a business day (each a "Record Date") or by wire transfer to an account in the United States of America made on an Interest Payment Date upon written instructions delivered to the Fiscal Agent on or before the Record Date from an Owner of \$1,000,000 or more in aggregate principal amount of Bonds. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (i) it is authenticated and registered on an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such

Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Bond Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The principal of, and any premium on, the Bonds, shall be payable in lawful money of the United States of America upon surrender thereof at the Principal Office of the Fiscal Agent.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC (together with any successor securities depository, the "Securities Depository"). DTC will act as Securities Depository for the Bonds. Individual purchases will be made only in book-entry form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., payment of the principal of, premium, if any, and interest on the Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX E – "DTC AND THE BOOK ENTRY ONLY SYSTEM." So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners of the Bonds shall mean Cede & Co., and shall not mean the purchasers or Beneficial Owners of the Bonds.

Authority for Issuance

The Bonds are issued pursuant to the Act, the Resolution of Issuance and the Fiscal Agent Agreement. The Bonds are primarily secured by a pledge of the Reassessments. In connection with the issuance of the Bonds and approval of Reassessments, a Notice of Reassessment will be recorded in the real property records of the County.

The Bonds are issued pursuant to particular provisions of the Act, Section 9525 of which permits the authorization, issuance and sale of the Bonds without public hearing if three conditions are satisfied. The three conditions are summarized as follows:

- (a) Each estimated annual installment of principal and interest on the Reassessment is less than the corresponding annual installment of principal and interest on the portion of the original assessment being superseded and supplanted by the same percentage for all parcels subject to Reassessments ("Reassessment Parcels");
- (b) The number of years to maturity of all the Bonds is not more than the number of years to the last maturity of the Prior Bonds; and
- (c) The principal amount of the Reassessment on each of the Reassessment Parcels is less than the unpaid principal amount of the portion of the original assessment being superseded and supplanted by the same percentage for each such Reassessment Parcel.

In connection with the proceedings for the Reassessments, on January 10, 2019, the Board of Directors has adopted a Resolution approving the Reassessment Report, in which it made a finding that these three conditions were satisfied.

Redemption

Mandatory Redemption from Property Owner Prepayments of Reassessments. Each Bond, or any portion of the principal thereof in the principal amount of \$5,000 or any integral multiple of \$5,000 in excess thereof, may be redeemed and paid in advance of maturity from prepayments of Reassessments by property owners under Sections 8766 or 8766.5 of the California Streets and Highways Code, on any Interest Payment Date in any year by giving at least 30 days' notice to the Owner thereof in accordance with the Bond Law 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 a percentage of the principal amount of Bonds being redeemed as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
Any interest Payment Date through March 2, ____	%
September 2, ____ and March 2, ____	
September 2, ____ and March 2, ____	
September 2, ____ and any Interest Payment Date thereafter	

The General Manager of the District, in her capacity as Treasurer for the District, will notify the Fiscal Agent of those Bonds to be called for redemption upon prepayment of Reassessments in amounts sufficient therefor and consistent with the provisions of Part 11.1 (commencing with Section 8760 of the California Streets and Highways Code) of the Bond Law.

Optional Redemption*. The Bonds maturing on or after September 2, ____ are subject to optional redemption prior to their stated maturity on any Interest Payment Date occurring on or after September 2, ____, as a whole, or in part, in an amount equal to \$5,000 or any integral multiple thereof and among maturities so as to maintain substantially level debt service on the Bonds, and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
September 2, ____ and March 2, ____	%
September 2, ____ and March 2, ____	
September 2, ____ and March 2, ____	
September 2, ____ and any Interest Payment Date thereafter	

Mandatory Sinking Payment Redemption. The Bonds maturing on September 2, ____, are subject to mandatory sinking payment redemption in part on September 2, ____, and on each September 2 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

<u>Redemption Date</u> <u>(September 2)</u>	<u>Sinking Payments</u>

* Preliminary, subject to change.

Notice of Redemption. The Fiscal Agent shall cause notice of any redemption to be mailed as provided in the Fiscal Agent Agreement to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Bond Register in the Principal Office of the Fiscal Agent; provided that the failure to so mail or of any person or entity to receive any such notice, or any defect in any notice of redemption, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the Bond numbers of the Bonds to be redeemed by giving the individual Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds, or the portion thereof to be redeemed, will not accrue from and after the redemption date.

Notwithstanding the foregoing, any notice of mandatory redemption from prepayments of Reassessments or of optional redemption of the Bonds may state that the redemption is conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the redemption shall not occur if by no later than the scheduled redemption date sufficient moneys to redeem the Bonds have not been deposited with the Fiscal Agent. In the event that the Fiscal Agent does not receive sufficient funds by the scheduled redemption date to so redeem the Bonds to be redeemed, the Fiscal Agent shall send written notice to the Owners of the Bonds to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of redemption was given shall remain outstanding.

Whenever provision is made for the redemption of less than all of the Bonds, the Fiscal Agent shall select the Bonds to be redeemed from all Bonds or such portion thereof not previously called for redemption, among maturities as directed in writing by the Treasurer (who shall specify Bonds to be redeemed so as to maintain substantially level debt service on the Bonds), and by lot within a maturity in any manner which the Fiscal Agent deems appropriate.

So long as the Bonds are held in book-entry only form, notice of redemption will be mailed by the Fiscal Agent only to DTC and not to the Beneficial Owners (as defined in APPENDIX E) of the Bonds under the DTC book-entry only system. Neither the District nor the Fiscal Agent is responsible for notifying the Beneficial Owners of Bonds to be redeemed, who instead are to be notified in accordance with the procedures in effect for the DTC book-entry system. See APPENDIX E – “DTC AND THE BOOK ENTRY ONLY SYSTEM.”

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Redemption Fund on or before the date fixed for redemption, such Bonds so called shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date.

SECURITY FOR THE BONDS

General

The Bonds are secured by a first pledge under the Fiscal Agent Agreement of all of the Reassessments and all moneys deposited in the Redemption Fund and the Reserve Fund. The Reassessments and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the defeasance provisions of the Fiscal Agent Agreement. Amounts in the Costs of Issuance Fund and the Administrative Expense Fund established under the Fiscal Agent Agreement are not pledged to the repayment of the Bonds. The improvements financed with the proceeds of the Prior Bonds are not in any way pledged to pay the Debt Service on the Bonds. Any proceeds of condemnation or destruction of any portion of such improvements are not pledged to pay the Debt Service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Although the Reassessments constitute fixed liens on the Reassessment Parcels, they do not constitute a personal indebtedness of the owners of the Reassessment Parcels and the owners of the Reassessment Parcels have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. In the event of delinquency in the payment of a Reassessment installment, proceedings may be conducted only against the real property on which the delinquent Reassessment was levied. Non-delinquent unpaid Reassessments are not required to be paid upon sale of the property. There is no assurance the property owners will be able to pay the Reassessments or that they will pay the Reassessments even though financially able to do so. See "BOND OWNERS' RISKS."

The Reassessments will be collected in annual installments at the same time and same manner that general taxes on real property are collected. Reassessments become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do *ad valorem* taxes. The annual Reassessments, when collected by the District, are to be deposited into the Redemption Fund, which will be used to pay the principal of and interest on the Bonds as they become due.

The Reassessments may be prepaid in whole or in part at any time by the property owners in the Assessment District. Any such prepayment will result in the redemption of a portion of the Bonds prior to maturity. See "THE BONDS – Redemption." **If only Reassessments on parcels with high value-to-reassessment lien ratios are prepaid, the credit quality of the Bonds that remain outstanding, which are secured by unpaid Reassessments on parcels with lower value-to-reassessment lien ratios, could deteriorate.** See "BOND OWNERS' RISKS" herein.

Limited Obligation; No Required Advances from Available Surplus Funds

The Bonds are limited obligation improvement bonds under Section 8769 of the Bond Law and as provided in Section 9519.5 of the Act. 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 amounts in the Redemption Fund needed to pay the scheduled debt service on the Bonds.

The Bonds are not an obligation of the State or any of its political subdivisions (except the District, to the limited extent set forth in the Fiscal Agent Agreement), and neither the faith

and credit nor the taxing power of the District, the State or any political subdivision thereof is pledged to the payment of the Bonds.

Establishment of Funds and Accounts

For administering the proceeds of the sale of Bonds and payment of interest and principal on the Bonds, the following funds and accounts will be established pursuant to the Fiscal Agent Agreement:

Redemption Fund. The Fiscal Agent is directed in the Fiscal Agent Agreement to maintain the Redemption Fund, into which shall be placed on and after the Closing Date certain funds held or received by the District representing proceeds of assessments levied prior to the Closing Dates, as well as amounts received from the collection of the Reassessments. Within the Redemption Fund, the Fiscal Agent shall establish the Prepayment Account into which shall be placed the proceeds of the prepayment of any Reassessment and which Prepayment Account shall be administered in accordance with the provisions of Section 8767 of the Act and the Fiscal Agent Agreement. Whenever the Treasurer remits amounts to the Fiscal Agent for deposit to the Redemption Fund, the Treasurer shall include written instructions with respect to whether such amounts shall be deposited to the Redemption Fund or the Prepayment Account.

Principal of, redemption premium, if any, and interest on the Bonds will be paid by the Fiscal Agent from amounts on deposit in the Redemption Fund. Under no circumstances will the Bonds or interest thereon be paid out of any other fund except for the Redemption Fund.

Reserve Fund. The Fiscal Agent will establish and maintain a fund under the Fiscal Agent Agreement designated as the Reserve Fund. An amount equal to the Initial Reserve Fund Deposit of \$_____ will be funded with proceeds of the Bonds and will be deposited to the Reserve Fund on the date of issuance of the Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS." Investment earnings on amounts in the Reserve Fund will remain on deposit in the Reserve Fund until the amount in the Reserve Fund equals the Maximum Reserve Amount. The "Reserve Requirement" is defined in the Fiscal Agent Agreement as an amount equal the Initial Reserve Fund Deposit plus any investment earnings on amounts in the Reserve Fund, not to exceed, in any event, the Maximum Reserve Amount. The Maximum Reserve Amount means, as of any date of calculation, an amount equal to the least of (i) 10% of the initial principal amount of the Bonds, (ii) Maximum Annual Debt Service on the Outstanding Bonds, or (iii) 125% of average annual Debt Service on the Outstanding Bonds. The Fiscal Agent will also deposit in the Reserve Fund amounts transferred to the Fiscal Agent from the District from the redemption or sale of properties with respect to which payment of delinquent Reassessments and interest thereon was made from the Reserve Fund.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of and interest, and any premium, on the Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming Bonds from the Redemption Fund.

Whenever, after the issuance of the Bonds, a Reassessment is prepaid, in whole or in part, as provided in the Bond Law, the Fiscal Agent, at the written direction of the District, shall transfer from the Reserve Fund to the Prepayment Account of the Redemption Fund an amount specified in such direction equal to the product of the ratio of the original amount of the Reassessment so paid to the original amount of all unpaid Reassessments, times the then amount, if any, on deposit in the Reserve Fund, all as determined by the Treasurer.

Whenever, on any Interest Payment Date, or on any other date when requested by the Treasurer, the amount in the Reserve Fund exceeds the then Maximum Reserve Amount, the Fiscal Agent shall transfer on or before such Interest Payment Date an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used by the District for purposes of the Redemption Fund and otherwise as provided in Section 8887 of the Bond Law.

Amounts in the Reserve Fund may also be used to pay any rebate payment due to the Federal government as provided in the Fiscal Agent Agreement.

In addition to the Redemption Fund and Reserve Fund, the Fiscal Agent Agreement also establishes a Costs of Issuance Fund and Administrative Expense Fund. Amounts on deposit in these funds are not a source of payment for debt service on the Bonds. See APPENDIX B – “SUMMARY OF THE FISCAL AGENT AGREEMENT.”

Investments

Moneys held in any fund or account established under the Fiscal Agent Agreement will be invested at the written direction of the Treasurer only in Authorized Investments, as defined in the Fiscal Agent Agreement. Obligations purchased as investments of monies in any of the funds in which investments are authorized are at all times part of such funds.

Priority of Lien

Each Reassessment and each installment thereof, and any interest and penalties thereon, constitute a lien against each parcel on which it was imposed until the same is paid. Such lien is subordinate to all fixed special assessment liens imposed upon the same property prior to the date that the Reassessments became a lien on the property assessed (which is the same date the original assessment for the Assessment District became a lien), but has priority over all private liens, including the lien of any mortgage or deed of trust, and over all fixed special assessment liens that may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general property taxes and liens previously or subsequently imposed pursuant to the Mello-Roos Community Facilities Act of 1982. The District is not aware of any fixed assessment lien or special tax lien on the parcels in the Assessment District that is superior to or on a parity with the lien of the Reassessments, except that with respect to certain Reassessment Parcels with delinquent assessments as of the date of recordation of the Notice of Reassessment for the District, the delinquent assessments are secured by a lien on such parcels on a parity with the Reassessments. See, however, “THE ASSESSMENT DISTRICT – Direct and Overlapping Bonded Indebtedness” and “BOND OWNERS’ RISKS – Parity Taxes and Special Assessments” herein.

Foreclosure Covenant

The District has covenanted in the Fiscal Agent Agreement that, on or about August 15 of each Fiscal Year (as defined in the Fiscal Agent Agreement), the Treasurer will compare the amount of Reassessments theretofore levied in the Assessment District to the amount of Reassessments theretofore received by the District, and, if the amount then on deposit in the Reserve Fund is less than 95% of the then Maximum Reserve Amount, the Treasurer will notify Counsel to the District of any parcel in the Assessment District with delinquent Reassessments of \$3,000.00 or more, and Counsel to the District shall commence, or cause to be commenced, foreclosure proceedings (beginning with sending the owner of the subject parcel a notice of delinquency and demand for payment) with respect to each such parcel. See “BOND OWNERS’ RISKS – Foreclosure.”

Proceeds from the redemption or sale of the real property for which payment of delinquent Reassessments was made from the Reserve Fund shall be credited to the Reserve Fund. Additionally, an amount of delinquent Reassessments collected (whether by foreclosure or otherwise) equal to the deficiency in the payment of the principal of and interest on the Bonds shall, after deduction of the costs of collection, be transferred by the District to the Fiscal Agent for deposit to the Redemption Fund. The remaining amounts of collected delinquent Reassessments shall be deposited by the Fiscal Agent to the Reserve Fund.

Sales of Tax-Defaulted Property Generally

Property securing delinquent Reassessment installments which is not sold pursuant to the judicial foreclosure proceedings described above may be sold, subject to redemption by the property owner, in the same manner and to the same extent as real property sold for nonpayment of ad valorem County property taxes. On or before June 30 of the year in which such delinquency occurs, the property becomes tax-defaulted. This initiates a five-year period during which the property owner may redeem the property. At the end of the five-year period, the property becomes subject to sale by the County Treasurer and Tax Collector. Except in certain circumstances, as provided in the Municipal Improvement Act of 1913, the purchaser at any such sale takes such property subject to all unpaid Reassessments, interest and penalties, costs, fees and other charges which are not satisfied by application of the sales proceeds and subject to all public improvement assessments which may have priority.

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 California Revenue and Taxation Code, 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 Reassessments are expected to be collected under the County's Teeter Plan. Thus, so long as the County maintains its policy of collecting taxes and assessments pursuant to above-described procedures and the Town meets the Teeter Plan requirements, the District will receive 100% of the annual Reassessments levied on parcels in the Assessment District without regard to actual collections.

There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning the Reassessments 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 if the rate of secured tax and assessment delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the County secured rolls for that agency. The County has not provided any indication to the District that it is considering discontinuing the Teeter Plan as currently in effect.

DEBT SERVICE SCHEDULE

The table below sets forth the scheduled annual debt service payments on the Bonds, assuming no redemption of the Bonds prior to their respective maturities.

<u>Year Ending (September 2)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	\$	\$
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the Bonds and other funds are set forth below.

Sources:

Principal Amount of the Bonds	\$
<i>Less: Underwriter's Discount</i>	
<i>Less (Plus): Original Issue Discount (Premium)</i>	
<i>Plus: Prior Bonds Reserve Fund</i>	
<i>Plus: Prior Bonds Redemption Fund</i>	
<i>Plus: Assessment Installments on Hand</i>	
TOTAL SOURCES OF FUNDS	\$

Uses:

Escrow Fund ⁽¹⁾	\$
Costs of Issuance Fund ⁽²⁾	
Reserve Fund ⁽³⁾	
Redemption Fund ⁽⁴⁾	
TOTAL USES OF FUNDS	\$

(1) To be used to redeem the Prior Bonds on March 2, 2019. See "PLAN OF REFUNDING."

(2) To be used to pay costs of issuance of the Bonds, which include Bond Counsel and Disclosure Counsel fees and expenses, Municipal Advisor fees, Fiscal Agent, Escrow Bank and Reassessment Engineer fees, printing costs and other costs of issuance of the Bonds.

(3) See "SECURITY FOR THE BONDS – Establishment of Funds and Accounts – *Reserve Fund*."

(4) To be used to pay interest due on the Bonds on September 2, 2019.

THE ASSESSMENT DISTRICT

The District formed the Assessment District in 2001 in accordance with the Municipal Improvement Act of 1913. The Assessment District originally included 5,079 parcels, but the fiscal year 2018-19 assessment levy included only 4,188 parcels due to prepayments and certain adjustments. In 2002, the District issued the Prior Bonds in the initial principal amount of \$17,990,000 to finance certain public wastewater improvements.

A list of the parcels and the respective Reassessments applicable to them, together with certain other related information, is set forth under the heading "THE ASSESSMENT DISTRICT." The aggregate assessed value of said parcels, as shown on the County Assessment Roll for Fiscal Year 2018-19 was \$1,387,678,320. While the value-to-lien ratios for the individual parcels in the Assessment District vary widely, the aggregate assessed value of the parcels in the Assessment District is approximately 123* times the total Reassessment liens applicable to such properties. See "SECURITY FOR THE BONDS—Direct and Overlapping Debt" and "THE ASSESSMENT DISTRICT—Overlapping Indebtedness" for a discussion of certain existing overlapping indebtedness which is secured by liens against the parcels in the Assessment District, some of which are on a parity with the lien of the Reassessments.

The predominant land use in the Assessment District is single-family housing. See "– Land Use" below. Of the 5,079 parcels originally included in the Assessment District, 891 parcels prepaid their respective assessments prior to the issuance of the Bonds. There are unpaid Reassessments on the remaining 4,188 parcels in the Assessment District (referred to in this Official Statement as "Reassessment Parcels") that are security for the repayment of the Bonds.

Assessed Valuation of the Reassessment Parcels

The District has not commissioned an appraisal of the Reassessment Parcels in the Assessment District in connection with the issuance of the Bonds. Therefore, the valuations of the Reassessment Parcels in the Assessment District set forth in this Official Statement are the County Assessor's values. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. Article XIII A of the California Constitution defines "full cash value" as the appraised value as of March 1, 1975, plus adjustments not to exceed 2% per year to reflect inflation, and requires assessment of "full cash value" upon change of ownership or new construction.

Based on the County's Fiscal Year 2018-19 Assessment Roll, the aggregate assessed value of all land and improvements constituting the Reassessment Parcels was \$1,387,678,320. This valuation is based upon assessed valuation rather than appraised value or any other measure of market value and is prior to deductions for homeowner's exemptions. The assessed valuations of the Reassessment Parcels may be materially different than their current market values because the assessed value of a parcel is generally subject to the maximum increase of 2% per year, unless the parcel is sold, at which time, in most instances, it is reassessed to its then current market value. Given the foregoing, the assessed value of a parcel that has not had a change of ownership for many years may be significantly less than its current market value, especially where property values have increased by more than 2% per year. Additionally, the Fiscal Year 2018-19 assessed values for any real property and improvements do not account for any assessed value determinations based on changes in ownership or improvements to real property occurring after January 1, 2018. Moreover, the market value of any particular Reassessment Parcel may be materially different from that of other Reassessment Parcels. See "BOND OWNERS' RISKS" herein for a description of circumstances that may affect the value of the Reassessment Parcels.

* Preliminary, subject to change.

Set forth below is a table that sets forth the assessed value to lien ratios for the Reassessment Parcels, including the Reassessments and all overlapping indebtedness. See “THE ASSESSMENT DISTRICT – Overlapping Indebtedness.”

Table 1
Los Osos Community Services District
Wastewater Assessment District No. 1
Value to Total Overlapping Lien

Assessed Value to Total Lien	# of Parcels	Assessed Value ⁽¹⁾	Reassessment Amount ⁽³⁾	% of Reassessment Amount	Overlapping Bonded Debt ⁽²⁾	Total of All Debt ⁽³⁾
Below 1.99:1	73	\$4,477,458	\$890,241.97	7.87%	\$3,289,697.20	\$4,179,939.17
2:1 to 2.99:1	83	5,684,945	254,547.58	2.25	1,938,940.46	2,193,488.04
3:1 to 4.99:1	202	32,861,499	841,838.25	7.44	7,527,731.96	8,369,570.21
5:1 to 9.99:1	1,073	218,331,944	2,765,220.25	24.45	25,660,234.43	28,425,454.68
10:1 to 19.99:1	1,743	594,895,302	4,096,686.49	36.22	36,276,516.54	40,373,203.03
20:1 to 49.99:1	873	431,480,765	2,071,481.60	18.32	15,182,354.49	17,253,836.09
Above 50:1	141	99,946,407	389,983.87	3.45	720,244.20	1,110,228.07
Totals	4,188	\$1,387,678,320	\$11,310,000.00	100.00%	\$90,595,719.28	\$101,905,719.28

Source: NBS Government Finance Group.

- (1) Per San Luis Obispo County Assessor's roll data for Fiscal Year 2018/19, with a January 1, 2018 valuation date. Assessed value does not reflect any changes made to valuation after July 2018 as a result of assessment appeal, correction or any other changes.
- (2) Includes overlapping bonded debt, exclusive of general obligation bond debt, per data prepared by California Municipal Statistics as of January 1, 2019.
- (3) Preliminary, subject to change.

Economic and other factors beyond the property owners’ control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of the improvements on a Reassessment Parcel caused by, among other possibilities, earthquake, fire, adverse weather conditions or other natural disaster, could cause a reduction in the assessed value (and the market values) of one or more of the Reassessment Parcels within the Assessment District. See “BOND OWNERS’ RISKS – Land Values.”

The reassessment diagram for the Assessment District is set forth in Part 9 of the Reassessment Engineer’s Report. See APPENDIX F – “REASSESSMENT ENGINEER’S REPORT.”

Land Use; Top Twelve Assesseees

There are various uses of the land in the Assessment District that is subject to the levy of the Reassessments. Set forth below is a table which shows, for the parcels subject to the Reassessments, the various land uses of the parcels.

Table 2
Los Osos Community Services District
Wastewater Assessment District No. 1
Land Use
(Fiscal Year 2018-19)

Property Type ⁽¹⁾	# of Parcels	2018/19 Assessment Levy	% of 2018/19 Levy	Assessed Value ⁽²⁾	Reassessment Amount ⁽³⁾	Value to Lien ⁽³⁾
Single Family Residential	3,493	\$ 797,986.88	67.1%	\$1,161,144,845.00	\$7,524,097.59	154.32:1
Multifamily Residential	165	96,606.90	8.1%	73,879,489.00	938,579.14	78.71:1
Commercial/Industrial	122	79,924.58	6.7%	115,488,286.00	776,986.80	148.64:1
Institutional - Church/School/ Government Owned	11	15,273.72	1.3%	2,040,646.00	149,628.99	13.64:1
Golf Course	1	613.06	0.1%	671,163.00	5,968.34	112.45:1
Vacant	396	198,009.58	16.7%	34,453,891.00	1,914,739.14	17.99:1
Totals	4,188	\$1,188,414.72	100.0%	\$1,387,678,320.00	\$11,310,000.00	122.69:1

Source: NBS Government Finance Group.

(1) Per San Luis Obispo County Assessor's use code data as of July 2018.

(2) Per San Luis Obispo County Assessor's roll data for Fiscal Year 2018/19, with a January 1, 2018 valuation date. Assessed value does not reflect any changes made to valuation after July 2018 as a result of assessment appeal, correction or any other changes.

(3) Preliminary, subject to change.

[insert here discussion of building moratorium and permit allocation process]

The following table shows the twelve property owners in the Assessment District with the largest Reassessments.

Table 3
Los Osos Community Services District
Wastewater Assessment District No. 1
Twelve Property Owners With Largest Reassessments
(Fiscal Year 2018-19)

Property Owner ⁽¹⁾	# of Parcels	2018/19 Assessment Levy	% of 2018/19 Levy	Land Value ⁽²⁾	Structure Value ⁽²⁾	Total Value	Reassessment Amount ⁽³⁾	Value to Lien ⁽³⁾
1 MORRO SHORES CO	1	\$ 32,485.24	2.73%	\$310,756	\$0	\$310,756	\$321,685.38	0.97:1
2 ANASTASI DEVELOPMENT CO LLC	6	20,063.34	1.69	3,284,204	26,479	3,310,683	198,114.78	16.71:1
3 SAN LUIS COASTAL UNIFIED SCHOOL DIST	3	13,020.80	1.10	0	0	0	128,666.86	0.00:1
4 MORRO SHORES MOBILEHOME PARK LLC	1	11,745.42	0.99	459,452	1,413,465	1,872,917	116,242.28	16.11:1
5 FLUITT CLAYTON E TRE	3	11,214.60	0.94	114,536	0	114,536	110,775.10	1.03:1
6 SOUTH BAY IMPROVEMENT ASSOC A CA NON-PROFIT CORP	3	10,879.78	0.92	1,314,483	3,127,948	4,442,431	107,458.41	41.34:1
7 DAISY HILL ESTATES INC A CA CORP	1	8,069.08	0.68	12,668,780	5,617,782	18,286,562	79,721.97	229.38:1
8 ANASTASI CONSTRUCTION COMPANY INC A CA CORP	1	7,854.40	0.66	817,595	0	817,595	77,698.96	10.52:1
9 MHC OPERATING LTD PTP	1	7,466.94	0.63	3,508,286	1,814,690	5,322,976	73,860.93	72.07:1
10 LOS OSOS COMMERCIAL LLC	2	5,513.94	0.46	4,753,196	6,337,596	11,090,792	54,410.53	203.84:1
11 COASTAL CONSTRUCTION CO	1	5,061.60	0.43	76,030	0	76,030	50,034.23	1.52:1
12 GRAY PHILIP D TRE ETAL	3	4,538.24	0.38	729,980	585,120	1,315,100	44,641.03	29.46:1
All Others	4,162	1,050,501.34	88.40	668,538,845	672,179,097	1,340,717,942	9,946,689.54	134.79:1
Totals	4,188	\$1,188,414.72	100.00%	\$696,576,143	\$691,102,177	\$1,387,678,320	\$11,310,000.00	122.69:1

Source: NBS Government Finance Group.

(1) Per San Luis Obispo County Assessor's roll data for Fiscal Year 2018/19 as of July 2018.

(2) Per San Luis Obispo County Assessor's roll data for Fiscal Year 2018/19, with a January 1, 2018 valuation date. Assessed value does not reflect any changes made to valuation after July 2018 as a result of assessment appeal, correction or any other changes.

(3) Preliminary, subject to change.

[insert here information on Top 2, such as who they are, type of company, how long they have owned the property, any development plans]

[Does #10 own 4 parcels?]

Assessed Values

The Table below shows the history of the assessed values of the parcels in the Assessment District that were subject to the levy of assessments for the Prior Bonds for the last eight fiscal years.

**Table 4
Los Osos Community Services District
Wastewater Assessment District No. 1
Assessed Value History⁽¹⁾**

Fiscal Year	Land Value	Structure Value	Total Value
2011/12	\$525,472,344	\$548,332,862	\$1,073,805,206
2012/13	513,902,766	539,624,513	1,053,527,279
2013/14	501,128,371	531,658,186	1,032,786,557
2014/15	516,978,077	548,614,221	1,065,592,298
2015/16	555,611,469	584,174,052	1,139,785,521
2016/17	623,665,364	638,682,166	1,262,347,530
2017/18	660,516,393	663,324,306	1,323,840,699
2018/19	696,576,143	691,102,177	1,387,678,320

Source: NBS Government Finance Group.

(1) Per San Luis Obispo County Assessor's roll data for each Fiscal Year shown, with a January 1 valuation date. Assessed value does not reflect any changes made to valuation after July of each Fiscal Year as a result of assessment appeal, correction or any other changes.

Assessment Delinquencies

The following table shows the amount of delinquent assessments that were levied on property in the Assessment District to pay the Prior Bonds during the past five years:

**Table 5
Los Osos Community Services District
Wastewater Assessment District No. 1
Assessment Delinquency History**

Fiscal Year	# of Parcels	Levy Amount ⁽¹⁾	As of June 30th of Each Fiscal Year		As of December 20, 2018 ⁽³⁾	
			Levy Amount Delinquent ⁽²⁾	Delinquency %	Levy Amount Delinquent	Delinquency %
2013/14	4,202	\$1,163,429.62	\$ 9,428.86	0.81%	\$ 0.00	0.00%
2014/15	4,200	1,167,490.42	7,039.96	0.60	0.00	0.00
2015/16	4,192	1,198,159.36	12,081.59	1.01	0.00	0.00
2016/17	4,191	1,192,398.44	11,987.58	1.01	6,593.76	0.55
2017/18	4,193	1,193,025.06	10,330.54	0.87	8,924.67	0.75

Source: NBS Government Finance Group.

(1) Annual levy amounts for Fiscal Years 2013/14, 2014/15 and 2015/16 are per the San Luis Obispo County Auditor's Office. Annual levy amounts for Fiscal Years 2016/17 and 2017/18 are per NBS Government Finance Group.

(2) Amount delinquent as of June 30th for Fiscal Years 2013/14, 2014/15 and 2015/16 are per the San Luis Obispo County Tax Collector's Office. Amount delinquent as of June 30th for Fiscal Years 2016/17 and 2017/18 are per NBS Government Finance Group utilizing data from the San Luis Obispo County Tax Collector's Office.

(3) Amount delinquent as of December 20, 2018 for all Fiscal Years is per NBS Government Finance Group utilizing data from the San Luis Obispo County Tax Collector's Office.

See, however, "SECURITY FOR THE BONDS—County Teeter Plan" regarding the remission by the County to the District Trustee of the full amount of the Assessment levy, other than the portion for County administrative expenses.

Overlapping Indebtedness

The Reassessments and each installment thereof and any interest and penalties thereon constitute a lien against the parcel of land on which they were imposed until the same is paid. Such lien has priority over all existing and future private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is coequal to and independent of the lien for general taxes and special taxes that may be levied on the subject property.

Set forth below is a statement of direct and overlapping bonded indebtedness for property within the Assessment District responsible for payment of the principal and interest on the Bonds. In addition to the bonded debt set forth in the Table below, new community facilities districts or special assessment districts may be formed and, upon approval of registered voters or landowners within such districts, may issue more bonds and levy additional special or other taxes or assessments. In addition to any such other special taxes or special assessments, assessees within the Assessment District will be required to pay the general ad valorem real property taxes. See "SECURITY OF THE BONDS—Direct and Overlapping Debt" herein.

**Table 6
Los Osos Community Services District
Wastewater Assessment District No. 1
Direct and Overlapping Debt**

2018-19 Local Secured Assessed Valuation (Equalized Roll): \$1,387,678,320 (Land & Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/19</u>
San Luis Obispo Community College District General Obligation Bonds	2.541%	\$ 3,203,913
San Luis Coastal Unified School District General Obligation Bonds	7.945	12,930,053
Los Osos Community Services District Assessment District No. 1	100.	12,000,000 (1)
San Luis Obispo County Wastewater Assessment District No. 1	81.618	<u>90,595,719</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$118,729,685
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Luis Obispo County Certificates of Participation	2.551%	\$ 581,204
San Luis Obispo County Pension Obligation Bonds	2.551	<u>2,121,580</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$2,702,784
 COMBINED TOTAL DEBT		 \$121,432,469 (2)

(1) The Prior Bonds; excludes Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$12,000,000)	0.86%
Total Direct and Overlapping Tax and Assessment Debt	8.56%
Combined Total Debt	8.75%

Source: California Municipal Statistics, Inc.

THE DISTRICT

General Description

The District is a political subdivision of the State that was formed on January 1, 1999, to provide services previously provided by the County. The District operates pursuant to Section 61000 of the California Government Code. It is currently authorized to provide fire protection, water, street lighting, drainage, solid waste, and parks and recreation services. The District is governed by a five-member Board of Directors who are elected annually at the first regular meeting of the Board each year, and has an operations staff currently headed by a General Manager.

The District comprises an area of approximately 3,443 acres or 5.38 square miles. The area is more commonly known as the communities of Los Osos and Baywood Park. It is located by a coastline adjoining the Montana de Oro State Park on its southwesterly boundary and the Morro Bay National Estuary and the Morro Bay State Park at its northern boundary.

Bankruptcy Proceedings

Due to financial difficulties at the time, the District filed for protection under Chapter 9 of the United States Bankruptcy Code on August 25, 2006. The purpose of Chapter 9 is to provide a financially distressed municipality protection from its creditors while it develops and negotiates a plan for adjusting its debts. On August 8, 2011, the federal Bankruptcy Court entered an Order Confirming the LOCSO Debt Adjustment Plan (the "Plan").

The Bankruptcy Court's order approving the Plan was appealed by the District's major creditor on August 22, 2011. This appeal was decided by the United States District Court in the District's favor on April 2, 2012, upholding the decision of the Bankruptcy Court to approve the Plan. Shortly afterward, on May 8, 2012, this decision was again appealed by the major creditor to the United States Court of Appeals for the Ninth Circuit. The parties resolved that appeal via a Settlement Agreement and Mutual Release on May 14, 2013, which resulted in further amendments to the Plan. The bankruptcy case was finally closed on April 22, 2014, after the District completed making payments required under the Plan.

Following the commencement of its bankruptcy proceedings, on October 17, 2006, the District entered into a letter agreement (the "Letter Agreement") with MBIA, as financial guarantor with respect to the Prior Bonds. The Letter Agreement provided for, among other matters, the appointment of a trustee to replace the then paying agent for the Prior Bonds, the transfer of the custody of the Redemption Fund and the Reserve Fund under the Prior Resolution to the trustee, and the transfer by the County directly to the trustee of all amounts collected in respect of the Assessments levied in the Assessment District (after deduction of County administration expenses included in the Assessments). The Letter Agreement was implemented by the adoption by the Board of Directors of the District of Resolution No. 2006-29 on November 16, 2006. On November 21, 2006, the Auditor-Controller of the County agreed to remit Assessments collected by it directly to the trustee, as contemplated by the Letter Agreement.

The obligations of the District under the Letter Agreement will terminate upon the defeasance of the Prior Bonds.

BOND OWNERS' RISKS

The following information should be considered by prospective Bond investors in evaluating the investment quality of the Bonds. The information below, however, does not

purport to be an exhaustive listing of risks and other considerations that may be relevant to a decision to invest in the Bonds. Furthermore, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Failure by any owner of a Reassessment Parcel to pay Reassessments installments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the District to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Reassessments levied against such parcels may result in the inability of the District to make full or punctual payment of debt service on the Bonds and Owners of the Bonds would therefore be adversely affected.

General

Under the provisions of Section 9545 of the Act, and applicable provisions of the Bond Law, Reassessments, from which funds for the payment of annual installments of principal of and interest on the Bonds are derived, will be billed to properties against which there are unpaid Reassessments on the regular *ad valorem* property tax bills sent to owners of such properties. Such Reassessments are due and payable at the same times, and bear the same penalties and interest for non-payment, as do regular property tax installments. A property owner cannot pay the County tax collector less than the full amount due on the tax bill; however, it is possible to pay Reassessments directly to the District in satisfaction of the obligation to pay that Reassessment without paying property taxes also then due. It should also be noted that the unwillingness or inability of a property owner to pay regular *ad valorem* property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular *ad valorem* property tax payments and Reassessment installment payments in the future.

Unpaid Reassessments do not constitute a personal indebtedness of the owners of the parcels within the Assessment District and the owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. Accordingly, in the event of delinquency, proceedings may be conducted only against the real property securing the delinquent Reassessment. Thus, the value of the real property within the Assessment District subject to the levy of the Reassessments is a critical factor in determining the investment quality of the Bonds. Several of the parcels in the Assessment District with unpaid Reassessments are vacant. There is no assurance any owner will be able to pay the Reassessments or that they will pay such installments even though financially able to do so.

In order to pay debt service on the Bonds, unpaid Reassessments on land within the Assessment District must be paid in a timely manner. Should the Reassessments not be paid on time, the District has established a Reserve Fund to provide for payment of the Bonds in the event of a shortfall in the amounts in the Redemption Fund for such purpose. The Reassessments are secured by a lien on the Reassessment Parcels and the District has covenanted to institute foreclosure proceedings under certain circumstances against parcels with delinquent Reassessments in order to obtain funds to pay debt service on the Bonds. See "SECURITY FOR THE BONDS—Foreclosure Covenant."

Collection of the Reassessments

The Reassessments are to be collected in the same manner as ordinary *ad valorem* real property taxes are collected and, except as provided in the special covenant for foreclosure in the Fiscal Agent Agreement (which effectively requires the District under certain circumstances to commence foreclosure against delinquent parcels each year in which a delinquency arises, see "SECURITY FOR THE BONDS – Foreclosure Covenant"), will be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* real

property taxes. Pursuant to these procedures, if *ad valorem* property taxes are unpaid for a period of five years or more, the property is subject to foreclosure sale by the County.

The County does not include assessment districts in the Teeter Plan. The Teeter Plan provides for payments of taxes and assessments to local agencies in the full levied amounts without regard to delinquencies. Consequently, the receipt of Reassessments by the District will be reduced by any delinquencies in the collection of the Reassessments.

The Reassessments, and other special assessment or special taxes levied for community facilities districts are billed and collected by the County on the same tax bill and property owners do not have the right to selectively pay any one assessment or tax. However, prior to the actual foreclosure of the lien of the Reassessments, the District may be able to collect the delinquent Reassessments directly from the property owner without the County receiving the other amounts due. In such event, liens for *ad valorem* property taxes and other assessments or special taxes could remain on the subject property, which would reduce its value.

Risks Associated with Real Estate Secured Investments

Owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (a) adverse changes in local market conditions, such as changes in the market value of real property in, and in the vicinity of, the Assessment District, the supply of or demand for competitive properties in such area, and the market value of property or buildings and/or sites in the event of sale or foreclosure; (b) changes in real estate tax rate, governmental rules (including, without limitation, zoning laws) and fiscal policies; (c) natural disasters (including, without limitation, earthquakes, floods and fires), which may result in uninsured losses; and (d) changes in federal tax law relating to deductions for state and local taxes.

Availability of Funds to Pay Delinquent Reassessments

Upon receipt of the proceeds from the sale of the Bonds, the District will initially establish the Reserve Fund in an amount equal to the Initial Reserve Fund Deposit. Thereafter, earnings on funds in the Reserve Fund will remain on deposit in the Reserve Fund until the amount on deposit therein is equal to the Maximum Reserve Amount. See "SECURITY FOR THE BONDS—Establishment of Funds and Accounts – Reserve Fund." The monies in the Reserve Fund constitute a trust fund for the benefit of the Owners of the Bonds, and will be held by, and administered by, the Fiscal Agent in accordance with and pursuant to the provisions of the Fiscal Agent Agreement. If, on any Interest Payment Date, a deficiency occurs in the Redemption Fund for payment of interest on or principal of the Bonds, the Fiscal Agent will transfer into the Redemption Fund an amount out of the Reserve Fund, to the extent of the funds then on deposit in the Reserve Fund, needed to pay debt service on the Bonds. There is no assurance that the balance in the Reserve Fund will always be adequate to pay the debt service on the Bonds in the event of shortfall in amounts in the Redemption Fund due to delinquent Reassessments or otherwise.

Owners Not Obligated to Pay Bonds or Reassessments

Unpaid Reassessments do not constitute a personal indebtedness of the owners of Reassessment Parcels within the Assessment District and the property owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the property owners have the ability to pay the Reassessments or that, even if they have the ability, they will choose to pay such installments. An owner may elect to not pay the Reassessments when due and cannot be legally compelled to do

so. If an owner decides it is not economically feasible to continue owning its property encumbered by the lien of the Reassessment or decides that for any other reason it does not want to retain title to the property, such owner may choose not to pay Reassessments and to allow the property to be foreclosed. Such a choice may be made due to a decrease in the market value of the property. A foreclosure of the property will result in such owner's interest in the property being transferred to another party. Neither the District nor any Owner of the Bonds will have the ability at any time to seek payment directly from any owner of property within the Assessment District of any Reassessment or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the Assessment District.

Land Values

The value of property in the Assessment District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Reassessments, the District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Reassessments. 396 parcels in the Assessment District with unpaid Reassessments that total approximately 17% of the total Reassessments are vacant, 73 of which have an assessed value-to-reassessment lien ratio of below 1.99:1 and constitute approximately 7.87% of the total Reassessment. See Table 2 under the heading "THE ASSESSMENT DISTRICT—Land Use; Top Twelve Assesseees." Land values could be adversely affected by economic factors beyond the District's control, such as relocation of employers out of the area, stricter land use regulations, the absence of water, or destruction of property caused by, among other possibilities, earthquake, flood, fire or other natural disaster, or by environmental pollution or contamination.

Parity Taxes and Special Assessments

The ability or willingness of a property owner in the Assessment District to pay the Reassessments could be affected by the existence of other taxes and assessments imposed upon the property. The Reassessments and any penalties thereon constitute a lien against the parcels of land on which they have been levied until they are paid. Such lien is on a parity with all special taxes levied by other agencies regardless of when they are imposed on the same property and is co-equal to and independent of the lien for general property taxes. The Reassessments are subordinate to pre-existing assessment liens and senior to assessment liens created in the future. The Reassessments have priority over all existing and future private liens imposed on the property. In addition, other public agencies whose boundaries overlap those of the Assessment District could, with or in some circumstances without the consent of the owners of the Reassessment Parcels in the Assessment District, impose additional taxes or assessment liens on the property in the Assessment District in order to finance public improvements to be located inside or outside of the Assessment District.

The District, however, has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property in the Assessment District. In addition, the District is not prohibited itself from establishing assessment districts, community facilities districts or other districts which might impose assessments or taxes against property in the Assessment District. The imposition of additional liens on a parity with the Reassessments could reduce the ability or willingness of the owners of parcels in the Assessment District to pay the Reassessments and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Reassessments. See "THE ASSESSMENT DISTRICT – Direct and Overlapping Bonded Indebtedness."

Foreclosure

The District has covenanted for the benefit of the Owners of the Bonds that the District will commence foreclosure upon the occurrence of a delinquency in the limited circumstances described in the Fiscal Agent Agreement and that it will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, all as provided in the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Foreclosure Covenant."

Foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the Reassessment Parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. The prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. Upon judgment of foreclosure, under certain circumstances, the Reassessment Parcel may be offered for sale at a Minimum Price. "Minimum Price" is the amount equal to the delinquent installments of principal or interest of the assessment or reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the Bond Law. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than Minimum Price will not result in an ultimate loss to the Owners of the Bonds or, under certain circumstances, if owners of 75% or more of the outstanding Bonds consent to such sale.

The Reassessment lien upon property sold pursuant to this procedure at a lesser price than the Minimum Price will be reduced by the difference between the Minimum Price and the sale price. Implementation of the above-described Minimum Price provision by the court upon foreclosure could result in nonpayment of the full principal and interest due on the Bonds.

In the event that sales or foreclosure of property are necessary, there can be no assurance that foreclosure proceedings will occur in a timely manner. There could be a delay in payments to Owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and the receipt by the District of the proceeds of sale, if the other sources of payment for the Bonds, as set forth in the Fiscal Agent Agreement, are depleted.

Bankruptcy

The payment of the Reassessments and the ability of the District to foreclose the lien of a delinquent unpaid Reassessment, as discussed in "SECURITY FOR THE BONDS – Foreclosure Covenant," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure.

Regardless of the priority of the Reassessments over non-governmental liens, the exercise by the District of the foreclosure and sale remedy or by the County of the tax sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner of a Reassessment Parcel. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale or tax sale proceedings thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies, especially if the owner owns a parcel the Reassessment delinquencies on which are significant or if bankruptcy proceedings are instituted with respect to a number of owners owning parcels the Reassessment delinquencies on which are significant, may result in periodic Reassessment installment collections which, even in conjunction with the Reserve Fund, may be insufficient to pay the debt service on the Bonds as it comes due. Further, should remedies be exercised under the bankruptcy law against such parcels, payment of installments of the Reassessments may be subordinated to bankruptcy law priorities. Therefore, certain claims may have priority over the Reassessment lien, even though such claims would not have priority were the bankruptcy law not applicable.

Any prohibition of the enforcement of the Reassessment lien or any such non-payment or delay could increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

Property or Loan Owned by Federal Agencies or Instrumentalities

Portions of the property with the Assessment District may now or in the future secure loans. Any such loan that may be secured by a lien on a Reassessment Parcel is subordinate to the lien of the Reassessments. However, (a) in the event that any of the financial institutions making any loan that is secured by real property within the Assessment District is taken over by the Federal Deposit Insurance Corporation ("FDIC"), (b) the FDIC or another federal entity acquires a Reassessment Parcel or Parcels in the Assessment District, (c) the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the United States Department of Housing and Urban Development or similar federal agency or instrumentality has a mortgagee interest in a loan on property subject to an Reassessment lien, or (d) if a lien is imposed on the property by the Drug Enforcement Agency, the Internal Revenue Service or other similar Federal governmental agency, and, prior thereto or thereafter, the loan or loans go into default, the ability of the District to collect interest and penalties specified by state law and to foreclose the lien of a delinquent unpaid Reassessment may be limited.

In the event that a property subject to the Reassessment lien is owned by the Federal government or a private deed of trust secured by such a property is owned by a Federal governmental entity, the ability to foreclose on the parcel to collect delinquent Reassessments 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 interest of the Federal government. As a result, if a Federal governmental entity owns a parcel subject to assessments or special taxes (including the Reassessment lien), the applicable state or local government cannot foreclose on that parcel. Moreover, if a Federal governmental entity has a mortgage interest on a parcel subject to assessments or special taxes (including the Reassessment lien), the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to preserve the Federal government mortgage interest. In Rust v Johnson (9th Circuit; 1979) 597 F. 2d 174), the United States Court of Appeal, Ninth Circuit, which includes California, held that the Federal National Mortgage Association ("Fannie Mae") 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 Fannie Mae constitutes an exercise of state power over property of the United States in violation of the supremacy clause.

Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those

claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

Under the Policy Statement, it is unclear whether the FDIC would consider the Reassessments to be "real property taxes" which they would pay.

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 Reassessment on a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the Bonds should assume that the District will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the Reserve Fund (to the extent funds are then on deposit in the Reserve Fund) and perhaps, ultimately, a default in payment of the Bonds. The District has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels in the Assessment District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Limited District Obligation Upon Delinquency

Pursuant to Section 8769 of the Bond Law, and as provided in Section 9519.5 of the Act, the District has elected not to be obligated to advance funds from the District Treasury for the payment of delinquent Reassessments. The only obligation of the District with respect to such delinquencies is to transfer amounts available in the Reserve Fund to the Redemption Fund and to, under certain circumstances, foreclose on any delinquent Reassessment Parcel. Thus, the District's obligation to advance money to pay debt service on the Bonds in the event of delinquent Reassessments is limited to the balance in the Reserve Fund, and if so advanced will reduce the Reserve Fund by the amount of the funds advanced. The District has no obligation to replenish the Reserve Fund except to the extent that delinquent Reassessments are subsequently collected 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 Reassessments. If during the period of delinquency there are insufficient funds in the Reserve Fund, a delay may occur in payments to the Owners of the Bonds.

Hazardous Materials

While government taxes, assessments and charges are a common claim against the value of an assessed parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Reassessment on a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a Reassessment Parcel may be required by law to remedy conditions on the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1989, sometimes referred to as "CERCLA" or "Superfund Act," is a well-known one of these laws. California laws with regard to hazardous substances are also stringent and somewhat similar. Under many of these laws, the owner (or operator) is obligated to remediate hazardous substances on, under or about the property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance; however, an owner (or operator) who is not at fault may seek recovery of its damages from the actual wrongdoer. The effect, therefore, should any of the Reassessment Parcels be affected by a hazardous substance, may be to reduce the marketability and value of the parcel,

because the purchaser, upon becoming an owner, may become obligated to remedy the condition just as is the seller.

The assessed values of the Reassessment Parcels in the Assessment District do not take into account the possible reduction in marketability and value of any of the Reassessment Parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the Reassessment Parcel. The District is not aware of any releases or threatened releases on any Reassessment Parcels in the Assessment District.

Natural Hazard Risks

The value of the Reassessment Parcels in the Assessment District in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and other climatic conditions such as droughts, and fires.

Seismic Risk. The assessed values of properties within a District could be substantially reduced, at least prior to rebuilding, as a result of a major earthquake within or proximate to the District. There are several faults in Central California, including the Los Osos Fault, the Hosgri Fault and the more distant San Andreas Fault, that could cause potentially damaging seismic shaking in the District. In addition to ground shaking, damage to properties may be caused by seismic generated surface rupture, liquefaction, landslides, and flooding. Occurrence of seismic activity in or proximate to a District could result in substantial damage to properties in such District. Such damage could substantially reduce the value of the properties and affect the ability or willingness of the owners to pay the Reassessments when due.

Fire. The area within the District, including the area of the Assessment District, includes undeveloped grassland that could be subject to fire. In the past, Pacific Gas and Electric Company managed a "control burn" in an area adjacent to the District, which ended up involving more acreage than the Utility had expected. Moreover, there have been wildfires in the past in areas of the County to the north and south of the District. Destruction of property in the District subject to the Reassessments could reduce the values of the properties and affect the ability or willingness of the property owners to pay the Reassessments when due.

Tsunami. Areas of the Los Osos community adjacent to the Pacific Ocean, including areas of the Assessment District that are primarily undeveloped but that do include some homes scattered along the coastline, could have a moderate amount of inundation in the event of a tsunami. See <https://www.losososcsd.org/tsunami-inundation-map-los-osos> for a map indicating the area of possible inundation. As with other natural hazards, damage to properties from a tsunami could affect the ability or willingness of the property owners to pay the Reassessments when due.

Other Natural Hazards. The District cannot predict when seismic events, fires, tsunamis or other natural events, such as searise or other impacts of climate change may occur and, if any such events occur, what effect, if any, such events may have on the assessed values of the Reassessment Parcels. It should be assumed, therefore, that a natural event or man-made activity may occur and may cause damage to improvements on parcels in the Assessment District of varying seriousness, that such damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate usability or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant

decrease in the assessed value of taxable values of parcels in the Assessment District and could result in a significant reduction in Reassessments. Such reduction of Reassessments could have an adverse effect on the payment of debt service on the Bonds.

Loss of Tax Exemption

As discussed in the section herein entitled "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the District subsequent to issuance in violation of the District's covenants in the Fiscal Agent Agreement. Should interest become includable in gross income, the Bonds are not subject to redemption by reason thereof and may remain outstanding.

Limitations 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 or to preserve the tax-exempt status of the 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.

Secondary Markets and Prices

The Underwriter will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance can be given that any secondary market will develop for the Bonds, and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

Depletion of Reserve Fund

On the date of issuance and delivery of the Bonds, a portion of the proceeds of the Bonds equal to the Initial Reserve Fund Deposit will be deposited in the Reserve Fund. Thereafter, earnings on funds in the Reserve Fund will remain on deposit in the Reserve Fund until the amount on deposit therein is equal to the Maximum Reserve Amount. See "SECURITY FOR THE BONDS – Establishment of Funds and Accounts – Reserve Fund." Whenever there are insufficient funds in the Redemption Fund to pay an installment of principal and interest on the Bonds, the amount necessary to make up the deficiency, to the extent available, will be transferred from the Reserve Fund to the Redemption Fund. Amounts so transferred will be reimbursed to the Reserve Fund from the payments of delinquent Reassessment installments and from the proceeds of redemption or sale of delinquent Reassessment Parcels.

The Reserve Fund is subject to pro rata reduction if and when the unpaid balance of the Reassessment on a Reassessment Parcel is prepaid. Upon prepayment of a Reassessment in whole, the District is required to reduce the Reserve Fund by a proportional reduction equal to the ratio of the amount initially provided for the funding of the Reserve Fund to the total amount originally assessed. Upon prepayment of a Reassessment in part only, the Reserve Fund is reduced by a proportionate lesser amount. A reduction in the Reserve Fund by prepayment of a Reassessment is a permanent, nonreimbursable reduction, but the amount remaining in the

Reserve Fund after a prepayment will bear approximately the same proportionate relationship to outstanding Bonds as would be the case if the prepayment was not made because accumulating Reassessment prepayments will be used to redeem Bonds earlier than their maturity dates.

There is no assurance that the amount in the Reserve Fund will, at any particular time, be sufficient to pay debt service on the Bonds in the event of a shortfall in the Redemption Fund for such purpose or that the Reserve Fund will be fully reimbursed for any amounts expended for debt service.

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, discussed below, which was approved in the general election held on November 5, 1996. Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

Proposition 218, the "Right to Vote on Taxes Act," added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

The Reassessments are being levied against Reassessment Parcels after the passage of Proposition 218. However, the District believes that the issuance of the Bonds does not require the conduct of further proceedings under either the Act or Proposition 218 because Senate Bill 919 (effective July 1, 1997) amended the Act to provide: "Any reassessment that is approved and confirmed pursuant to [the Act] shall not be deemed to be an assessment within the meaning of, and may be ordered without compliance with the procedural requirements of, Article XIII D of the California Constitution."

Like its antecedents, certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law. The District is not able to predict the outcome of any such examination.

The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues. The District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the unpaid principal of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters related to the Assessment District are subject to the approving legal opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel. A copy of the proposed form of Bond Counsel opinion is contained in APPENDIX D hereto, and the final opinion will be made available to the Owners of the Bonds at the time of delivery. Certain legal matters will be passed upon for the District by Hanley & Fleishman, LP, Atascadero, California, acting as the general counsel to the District, and by Quint & Thimmig LLP, in its capacity as Disclosure Counsel to the District for the Bonds. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLC, Irvine, California, in its capacity as Underwriter's Counsel. Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the issuance of the Bonds.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted in the Fiscal Agent Agreement to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition

that the District comply with the covenants discussed above: (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "IRS") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is

includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS may treat the District as a taxpayer and the Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon issuance of the Bonds is set forth in APPENDIX D.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending with respect to which the District has been served with process, or, to the knowledge of the District is threatened against the District concerning its existence, or the titles of its officers, 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, or the collection or levy of the Reassessments to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement, the Bond Purchase Agreement (defined herein), or any other applicable agreements or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents.

RATING

S&P Global Ratings has assigned a rating of “___” to the Bonds. Such rating reflects only the views of the rating agency and an explanation of the significance of the rating may be obtained from S&P Global Ratings. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased through negotiation by Brandis Tallman LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of \$_____ (representing the par amount of the Bonds, less (plus) net original issue discount (premium) on the Bonds in the amount of \$_____, less an Underwriter's discount of \$_____). The bond purchase agreement between the District and the Underwriter (the "Bond Purchase Agreement") provides that the Underwriter will purchase all of the Bonds, if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain additional terms and conditions set forth in the Bond Purchase Agreement relating to the Bonds.

The Underwriter may also offer and sell the Bonds to certain dealers and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

Wulff, Hansen & Co. (the "Municipal Advisor") served as municipal advisor to the District with respect to the sale of the Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement.

VERIFICATION OF MATHEMATICAL ACCURACY

Causey Demgen & Moore, P.C. (the "Verification Agent") will deliver a report stating that the firm has verified (a) that the Escrowed Federal Securities mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to provide for (i) the debt service due on the Prior Bonds on March 2, 2019, and (ii) the redemption of the outstanding Prior Bonds maturing on and after September 2, 2019 on the Redemption Date at the Redemption Price, all as set forth in the Escrow Agreement, and (b) certain mathematical computations supporting the conclusion that the Bonds are not "arbitrage bonds" under the Code, which information will be used in part by Bond Counsel in concluding that interest on the Bonds is excluded from gross income for federal income tax purposes under present laws.

The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement, the District will covenant for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District, the Assessment District and the Bonds by not later than nine months after the end of the District's Fiscal Year (currently June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ending June 30, 2018, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District, or its dissemination agent, if any, (currently NBS) with the MSRB through its EMMA system. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events and the text of the Continuing Disclosure Agreement are set forth under the caption APPENDIX C - "FORM OF CONTINUING DISCLOSURE AGREEMENT." A default under the Continuing Disclosure Agreement will not be an event of default under the Fiscal Agent

Agreement. The sole remedy under the Continuing Disclosure Agreement in the event of any failure of the District to comply will be an action to compel specific performance. These covenants will be made in order to assist the initial purchaser of the Bonds in complying with Rule 15c2-12 of the Securities and Exchange Commission.

[insert description of any failures to comply in last 5 years]

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the District and the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the 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 or the Assessment District since the date hereof.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

The execution and delivery of the Official Statement by the District have been duly authorized by the Board of Directors of the District.

LOS OSOS COMMUNITY SERVICES DISTRICT

By: _____
General Manager

APPENDIX A

COMMUNITY OF LOS OSOS GENERAL INFORMATION

The following information relating to the Community of Los Osos, San Luis Obispo County, California, is supplied solely for purposes of information.

Introduction

Los Osos is an unincorporated area and a census-designated place located along the Pacific coast of San Luis Obispo County (the "County"), California. Los Osos is located approximately 12 miles east of the City of San Luis Obispo. The Los Osos area includes approximately 12.8 square miles, and the Los Osos Community Services District only includes approximately 5.38 of such square miles.

San Luis Obispo County is the fifteenth largest county in the State of California, with 3,300 square miles of area. It is located on the California coast midway between the metropolitan areas of San Francisco and Los Angeles.

The County is bordered by Monterey County to the north, Kern County on the east, Santa Barbara County to the south and the Pacific Ocean on the west. The Santa Lucia Range dominates the western half of the County; the eastern boundary lies along the Temblor Range. The Los Padres National Forest is located in the south central part of the County.

Education

Los Osos has four public schools; Baywood Elementary, Sunnyside Elementary (currently closed), Monarch Grove Elementary, and Los Osos Middle School. Los Osos students attend high school in the neighboring Morro Bay High School in Morro Bay and the San Luis Obispo High School in San Luis Obispo.

The County of San Luis Obispo has one state university, one community college district and several K-12 school districts. California Polytechnic State University is adjacent to the City of San Luis Obispo. It includes one of the largest architectural schools in the United States and is well known for its engineering and agricultural schools. Cuesta Community College is located seven miles west of the City of San Luis Obispo.

Transportation

There are two roads connecting Los Osos to other communities: South Bay Boulevard, which leads to Morro Bay via Highway 1, and Los Osos Valley Road, which leads to San Luis Obispo.

The County of San Luis Obispo is accessible by land, air and water. Major airlines such as American Eagle and United Express have regular connecting service to major cities in Northern and Southern California. Both Southern Pacific and Amtrak have daily schedules for the County's rail service. The County has its own public transportation, including the City of San Luis Obispo Transit and Central Coast Area Transit, and is also serviced by Greyhound Bus Lines. US Highway 101 and numerous State Highways such as 1, 41, 46, 53, 68, 166, 227 and 229 provide access to the County and its municipalities. In addition, the County provides waterway access through Port San Luis.

Population

The table below summarizes population of the County and the State of California for the last five years.

SAN LUIS OBISPO COUNTY and CALIFORNIA Population

Year	San Luis Obispo County	State of California
2014	275,625	38,568,628
2015	276,669	38,912,464
2016	278,141	39,179,627
2017	279,210	39,500,973
2018	280,101	39,809,693

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2010-2018, with 2010 Census Benchmark.

Employment

The following table summarizes historical employment and unemployment for the County, the State of California and the United States:

SAN LUIS OBISPO COUNTY, CALIFORNIA, and UNITED STATES Civilian Labor Force, Employment, and Unemployment (Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2013	San Luis Obispo County	141,100	131,700	9,400	6.7%
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,389,000	143,929,000	11,460,000	7.4
2014	San Luis Obispo County	139,700	131,900	7,800	5.6
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	San Luis Obispo County	143,300	136,600	6,600	4.6
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	San Luis Obispo County	140,400	134,400	6,000	4.3
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017 ⁽²⁾	San Luis Obispo County	142,100	137,000	5,100	3.6
	California	19,312,000	18,393,100	918,900	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2017, and US Department of Labor.

(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

(2) Latest available full-year data.

Major Employers

The following table lists the major employers within San Luis Obispo County according to the County's FY2017-18 CAFR.

SAN LUIS OBISPO COUNTY 2018 Major Employers

Employer	Employees	% of Total County Employment
Cal Poly State University, SLO	3,000	2.15%
County of San Luis Obispo	2,920	2.09
Atascadero State Hospital	2,000	1.43
Pacific Gas and Electric Company	1,866	1.34
California Men's Colony	1,517	1.09
Cal Poly Corporation	1,400	1.00
Tenet Healthcare	1,305	.94
Compass Health Inc	1,200	.86
Lucia Mar Unified School District	1,000	.72
Paso Robles Public Schools	935	.67
Total Top 10	17,143	12.29

Source: San Luis Obispo County 2017-18 CAFR.

Construction Activity

The following table reflects the five-year history of building permit valuation for San Luis Obispo County:

SAN LUIS OBISPO COUNTY Building Permits and Valuation (Dollars in Thousands)

	2013	2014	2015	2016	2017 ⁽¹⁾
<u>Permit Valuation:</u>					
New Single-family	\$ 170,934	\$ 230,541	\$ 216,070	\$ 181,893	\$ 221,831
New Multi-family	31,305	31,766	31,179	53,042	62,910
Res. Alterations/Additions	28,963	33,314	40,465	44,775	43,489
Total Residential	231,203	295,623	287,714	279,711	328,231
Total Nonresidential	388,429	116,168	144,025	157,487	120,401
Total All Building	619,632	411,791	431,740	437,198	448,633
<u>New Dwelling Units:</u>					
Single Family	556	728	664	531	696
Multiple Family	222	247	216	283	445
Total	778	975	880	814	1,141

Source: Construction Industry Research Board: "Building Permit Summary," California Cities and Counties Data for Calendar Years 2013-2017.

Note: Totals may not add due to independent rounding.

(1) Last available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the Los Osos CDP, the County, the State of California and the nation for the five most recent years.

LOS OSOS CDP, SAN LUIS OBISPO COUNTY, CALIFORNIA and UNITED STATES Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2014	Los Osos CDP	\$ 375,935	\$ 50,059
	San Luis Obispo County	7,062,700	52,004
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Los Osos CDP	369,985	50,181
	San Luis Obispo County	7,164,760	52,012
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	Los Osos CDP	397,485	53,164
	San Luis Obispo County	7,699,746	55,193
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	Los Osos CDP	452,294	60,247
	San Luis Obispo County	8,314,188	59,104
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2018	Los Osos CDP	514,039	65,808
	San Luis Obispo County	8,882,412	63,836
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: Nielsen Claritas, Inc.

APPENDIX B

SUMMARY OF THE FISCAL AGENT AGREEMENT

The following is a brief summary of certain provisions of the Fiscal Agent Agreement not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the text of the Fiscal Agent Agreement for the complete terms thereof.

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given.

“Act” means the Refunding Act of 1984 for 1915 Improvement Act Bonds, as amended, constituting Division 11.5 of the California Streets and Highways Code.

“Administrative Expense Fund” means the fund by that name established and administered under the Fiscal Agent Agreement.

“Agreement” means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement executed pursuant to the provisions thereof.

“Assessment District” means the area within the District designated “District Wastewater Assessment District No. 1” formed by the District under the Municipal Improvement Act of 1913.

“Auditor” means the auditor/controller or tax collector of the County, or such other official of the County who is responsible for preparing real property tax bills.

“Authorized Investments” means any of the following, to the extent acquired at Fair Market Value: (i) securities in which the District may legally invest funds subject to its control, pursuant to Article 1, commencing with section 53600, of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code of the State, as now or hereafter amended, (ii) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended, including but not limited to the California Arbitrage Management Program (CAMP); (iii) the Local Agency Investment Fund of the State, created pursuant to Section 156429.1 of the Government Code of the State, (iv) Federal Securities, (v) investments in a money market fund (including any funds of the Fiscal Agent or its affiliates) registered with the Securities and Exchange Commission rated in the highest rating category (without regard to plus (+) or minus (-) designations) by Moody’s Investors Service or Standard and Poor’s Ratings Group, and (vi) any other investment permitted under the District’s then current investment policy.

“Authorized Officer” means the President of the Board of Directors of the District, the General Manager of the District, the Administrative Services Manager of the District, the Treasurer, the Secretary to the Board of Directors of the District, or any other officer or employee of the District authorized by the Board of Directors of the District or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

“Bond” or “Bonds” means the “Los Osos Community Services District Limited Obligation Refunding Bonds, Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019),” at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

“Bond Counsel” means (i) Quint & Thimmig LLP, or (ii) any attorney or firm of attorneys acceptable to the District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Date” means the dated date of the Bonds, which is the Closing Date.

“Bond Law” means the Improvement Bond Act of 1915, as amended, being Division 10 of the California Streets and Highways Code.

“Bond Register” means the books maintained by the Fiscal Agent pursuant to the Fiscal Agent Agreement for the registration and transfer of ownership of the Bonds.

“Bond Year” means the twelve-month period beginning on September 3 in each year and ending on September 2 in the following year except that the first Bond Year shall begin on the Closing Date.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement, pertaining to the Bonds, dated as of February 1, 2019, between the District and NBS Government Finance Group, as Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the District and related to the authorization, sale and issuance of the Bonds and the refunding of the Prior Bonds, which items of expense shall include, but not be limited to, printing costs for the Bonds, costs of reproducing and binding documents, closing costs, filing and recording fees, fees and expenses of the District, initial fees and charges of the Fiscal Agent including its first annual administration fee, underwriter’s discount, legal fees and charges, including those of bond counsel, disclosure counsel, counsel to the District, municipal advisor and reassessment engineer fees and expenses, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established and administered under the Fiscal Agent Agreement.

“County” means the County of San Luis Obispo, California.

“Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year.

“DTC” means The Depository Trust Company and any successor thereto.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Fiscal Agent Agreement.

“District” means the Los Osos Community Services District, and any successor thereto.

“District Counsel” means the General Counsel to the District or other designated counsel to the District with respect to the Assessment District.

“Escrow Agreement” means the Escrow Agreement by and between the District and the Escrow Bank by which the Escrow Fund is administered.

“Escrow Bank” means U.S. Bank National Association, in its capacity as the Escrow Bank under the Escrow Agreement.

“Escrow Fund” means the fund by that name established pursuant to the Escrow Agreement to provide for the refunding of the Prior Bonds, as referred to in the Fiscal Agent Agreement.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “fair market value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the code, or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State for funds held by the Fiscal Agent: (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as stripped obligations and coupons; or (ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

“Fiscal Agent” means the Fiscal Agent appointed by the District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Formation Act” means the Municipal Improvement Act of 1913, as amended, being Division 12 of the California Streets and Highways Code.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>); and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to the Bonds as the District may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Initial Reserve Fund Deposit” means the amount specified in the Fiscal Agent Agreement to be deposited in the Reserve Fund on the Closing Date.

“Interest Payment Dates” means March 2 and September 2 of each year, commencing September 2, 2019.

“List of Unpaid Reassessments” means the list on file with the Treasurer showing the amounts of the Reassessments upon each of the parcels in the Assessment District.

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

“Maximum Reserve Amount” means, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial principal amount of the Bonds, (b) the Maximum Annual Debt Service, and (c) one hundred twenty-five percent (125%) of the Annual Debt Service for the then Outstanding Bonds.

“Officer’s Certificate” means a written certificate of the District signed by an Authorized Officer of the District.

“Original Purchaser” means Stifle Nicolaus & Company, Incorporated, as the first purchaser of the Bonds from the District.

“Outstanding” when used as of any particular time with reference to Bonds, means, subject to the provisions of the Fiscal Agent Agreement, all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the District pursuant to the Fiscal Agent Agreement or any Supplemental Agreement.

“Owner” or “Bond Owner” means the registered owner of any Outstanding Bond as shown on the Bond Register of the Fiscal Agent.

“Principal Office” means the principal office of the Fiscal Agent in Los Angeles, California, located at such address as shall be specified in a written notice by the Fiscal Agent to the District under the Fiscal Agent Agreement or such other office designated for payment, transfer or exchange of bonds.

“Prior Bonds” means the Los Osos Community Services District Wastewater Assessment District No. 1, Limited Obligation Improvement Bonds, issued pursuant to the Prior Resolution.

“Prior Resolution” means Resolution No. 2002-33 adopted by the Board of Directors of the District on August 15, 2002, pursuant to which the Prior Bonds were issued, as amended and supplemented and in effect on the Closing Date.

“Prior Resolution of Intention” means Resolution No. 2001-02 adopted by the Board of Directors of the District on February 15, 2001, declaring its intention to form the Assessment District.

“Project” means the improvements authorized to be financed by the District under the proceedings pursuant to the Prior Resolution of Intention.

“Reassessments” means the unpaid reassessments levied within the Assessment District by the District under the proceedings taken pursuant to the Act and the Resolution of Intention.

“Record Date” means the fifteenth (15th) day of the month immediately preceding the month in which the applicable Interest Payment Date occurs.

“Redemption Fund” means the fund by that name established and administered under the Fiscal Agent Agreement.

“Reserve Fund” means the fund by that name established and administered under the Fiscal Agent Agreement.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the Initial Reserve Fund Deposit, plus any investment earnings on amounts in the Reserve Fund; not to exceed, in any event, the Maximum Reserve Amount.

“Resolution of Intention” means the resolution of intention to levy the Reassessments, adopted by the Board of Directors of the District on January 10, 2019.

“Resolution of Issuance” means the resolution adopted by the Board of Directors of the District on January 10, 2019, authorizing, among other matters, the issuance of the Bonds.

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Board of Directors of the District under the Bond Law and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

“Treasurer” means the General Manager of the District, acting in the capacity of treasurer of the District.

Funds and Accounts

Redemption Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held by the Fiscal Agent, the Redemption Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement, the Act or the Bond Law. Moneys in the Redemption Fund will be held by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, will be disbursed for the payment of the principal of, and interest and any premium on, the Bonds and as otherwise described below.

Within the Redemption Fund the Fiscal Agent shall establish a Prepayment Account into which shall be placed the proceeds of the prepayment of any Reassessment which occurs after the Closing Date and which Prepayment Account shall be administered in accordance with the provisions of Section 8767 of the Bond Law.

Whenever the Treasurer remits amounts to the Fiscal Agent for deposit to the Redemption Fund, the Treasurer shall include written instructions with respect to whether such amounts shall be deposited to the Redemption Fund or the Prepayment Subaccount.

On each Interest Payment Date commencing September 2, 2019, the Fiscal Agent shall withdraw from the Redemption Fund and pay to the Owners of the Bonds an amount equal to the principal of, and interest and any premium, then due and payable on the Bonds. If there are insufficient funds in the Redemption Fund to make the payments provided for in the preceding sentence, the Fiscal Agent shall transfer from the Reserve Fund an amount necessary to cure such insufficiency (not to exceed the amount then on deposit in the Reserve Fund), and if, on any Interest Payment Date an insufficiency still exists, the Fiscal Agent shall apply the available funds applied in the manner provided in the Bond Law, as directed by the Treasurer in writing. Past due payments of principal and interest shall continue to bear interest at the rate of interest on the Bonds. In the event of any delinquency in payment of the Bonds the first available moneys in the Redemption Fund arising from the collection of delinquent Reassessments up to the delinquent amount then owing on the Bonds.

Funds placed in the Prepayment Account of the Redemption Fund (including amounts transferred thereto pursuant to the Fiscal Agent Agreement) shall be disbursed therefrom by the Fiscal Agent for the call and redemption of Bonds on the redemption dates and in the amounts set forth in the Fiscal Agent Agreement.

Any earnings on investments of funds in the Redemption Fund or the Prepayment Account not required to be disbursed under the preceding two paragraphs shall be credited against Debt Service or,

in the sole discretion of the District, applied to the call and redemption or defeasance of Bonds; provided, however, that before any such credit shall be made, such earnings shall be available for the payment of any federally-required rebate that may be owed under the Fiscal Agent Agreement.

Moneys in the Redemption Fund and the Prepayment Account shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Redemption Fund and the Prepayment Account, respectively, to be used for the purposes of such fund and account.

Reserve Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held by the Fiscal Agent, the Reserve Fund, to the credit of which deposits shall be made as provided in the Fiscal Agent Agreement. Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the District and the owners of the Bonds as a reserve for the payment of principal of and interest and any premium on, the Bonds. The District shall cause the Fiscal Agent to administer the Reserve Fund in accordance with Part 16 of the Bond Law; provided that proceeds from redemption or sale of properties with respect to which payment of delinquent Reassessments and interest thereon was made from the Reserve Fund, shall be credited to the Reserve Fund.

Except as otherwise provided in the Fiscal Agent Agreement all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming Bonds from the Redemption Fund or, in accordance with the Fiscal Agent Agreement, for the purpose of paying rebate to the federal government.

Transfers shall be made from the Reserve Fund to the Redemption Fund in the event of a deficiency in the Redemption Fund, with respect to amounts owing on the Bonds in accordance with the Fiscal Agent Agreement.

Whenever, after the issuance of the Bonds, a Reassessment is prepaid, in whole or in part, as provided in the Bond Law, the Fiscal Agent shall transfer from the Reserve Fund to the Prepayment Account of the Redemption Fund an amount equal to the product of the ratio of the original amount of the Reassessment so paid to the original amount of all unpaid Reassessments, times the then amount, if any, on deposit in the Reserve Fund, all as determined by the Treasurer.

Whenever, on any Interest Payment Date, or on any other date when requested by the Treasurer, the amount in the Reserve Fund exceeds the then Maximum Reserve Amount, the Fiscal Agent shall transfer on or before such Interest Payment Date an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used for purposes of the Redemption Fund and otherwise as provided in Section 8887 of the Bond Law.

Whenever the balance in the Reserve Fund is sufficient to retire all the Outstanding Bonds, whether by advance retirement or otherwise, collection of the principal and interest on the Reassessments shall be discontinued. In such event, the Treasurer shall (i) direct the Fiscal Agent to call for redemption, on the next Interest Payment Date for which notice of redemption can timely be given, all of the then Outstanding Bonds, and (ii) transfer from the Reserve Fund to the Fiscal Agent for deposit in the Redemption Fund, on such Interest Payment Date, an amount sufficient to pay the redemption price due on the Bonds on such Interest Payment Date. In the event that the balance in the Reserve Fund on the redemption date exceeds the amount required to retire all of the Outstanding Bonds, the excess shall after payment of amounts due to the Owners, be transferred by the Fiscal Agent to the District to be used in accordance with Section 8885 of the Bond Law.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to the Fiscal Agent Agreement until after (i) the calculation of any amounts due to the federal government pursuant to the Fiscal Agent Agreement following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

Moneys in the Reserve Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained in the Reserve Fund subject to the Fiscal Agent Agreement.

Costs of Issuance Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Costs of Issuance Fund, to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent for the benefit of the District and shall be disbursed as provided below for the payment or reimbursement of Costs of Issuance. Moneys in the Costs of Issuance Fund are not pledged as security for the payment of the Bonds.

Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance as set forth in an Officer's Certificate containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent concurrent with the delivery of the Bonds. The Fiscal Agent shall pay all Costs of Issuance upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such Officer's Certificate, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial Officer's Certificate delivered to the Fiscal Agent on the Closing Date. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of six months from the Closing Date or until otherwise directed by the Treasurer to close the Costs of Issuance Fund, whichever is earlier, and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Administrative Expense Fund.

Moneys in the Costs of Issuance Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Pending its closing, interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

Administrative Expense Fund. There is established under the Fiscal Agent Agreement, as a separate fund to be held by the Treasurer, the Administrative Expense Fund to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held by the Treasurer for the benefit of the District and shall be disbursed as provided below for payment or reimbursement of costs of the District in connection with the administration of the Fiscal Agent Agreement, the Bonds and the Assessment District. Moneys in the Administrative Expense Fund are not pledged as security for the payment of the Bonds.

Amounts in the Administrative Fund shall be withdrawn by the Treasurer and paid to the District or its order upon receipt by the Treasurer of an Officer's Certificate stating the amount to be withdraw, that such amount is to be used to pay a cost of the District to administer the Fiscal Agent Agreement, the Bonds or the Assessment District, and the nature of such administrative expense.

Moneys in the Administrative Expense Fund shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained in the Administrative Expense Fund to be used for the purposes of such fund.

Refunding of Bonds

The Bonds may be refunded by the District pursuant to Divisions 11 or 11.5 of the Bond Law upon the conditions as set forth in appropriate proceedings therefor. The Fiscal Agent Agreement shall not apply to or in any manner limit advancement of the maturity of any of the Bonds as provided in Parts 8, 9, 11, or 11.1 of the Bond Law, nor shall it apply to or in any manner limit the redemption and payment of any Bond pursuant to subsequent proceedings providing for the payment of amounts to eliminate previously imposed fixed lien assessments, including the Reassessments.

Covenants of the District

Collection of Reassessments. The District shall comply with all requirements of the Act, the Bond Law and the Fiscal Agent Agreement to assure the timely collection of the Reassessments, including, without limitation, the enforcement of delinquent Reassessments. Any funds received by the District in and for the Assessment District, including, but not limited to, collections of Reassessments upon the secured tax rolls, collections of delinquent Reassessments and penalties thereon, through foreclosure proceedings and the prepayment of Reassessments or portions thereof, shall be immediately transferred to the Fiscal Agent for deposit into the Redemption Fund. To that end, the following shall apply:

(A) The Reassessments as set forth on the List of Unpaid Reassessments on file with the Treasurer together with the interest thereto, shall be payable in annual series corresponding in number to the number of principal payments on the Bonds issued. An annual proportion of each Reassessment shall be payable in each year preceding the date of principal payments on the Bonds issued sufficient to pay the Bonds when due and such proportion of each Reassessment coming due in any year, together with the annual interest thereon, shall be payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interests after delinquency as do the general taxes on real property.

All sums received from the collection of the Reassessments and of the interest and penalties thereon shall be transmitted by the District to the Fiscal Agent, to be placed in the Redemption Fund; provided that (i) amounts referred to in (D) below shall be deposited by the District in the Administrative Expense Fund, (ii) any prepayments of Reassessments shall be transferred by the District to the Fiscal Agent to be placed by the Fiscal Agent in the Prepayment Account established under and administered in accordance with the Fiscal Agent Agreement, and (iii) amounts representing the collection of delinquent Reassessments (whether by foreclosure or otherwise) shall, after deduction of the costs of collection, be transferred by the District to the Fiscal Agent for deposit by the Fiscal Agent to the Redemption Fund only in the amount of any then delinquency in the payment of the principal of or interest on the Bonds and otherwise shall be deposited by the Fiscal Agent to the Reserve Fund. The Treasurer shall provide the Fiscal Agent with written instructions as to the disposition of any amounts remitted to the Fiscal Agent as described above.

(B) The Treasurer shall, before the final date on which the Auditor will accept the transmission of the Reassessments for the parcels within the Assessment District for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the installments of the Reassessments on the next secured tax roll. The Treasurer is authorized under the Fiscal Agent Agreement to employ consultants to assist in computing the installments of the Reassessments under the Fiscal Agent Agreement and in reconciling Reassessments billed to amounts received as provided in this paragraph.

(C) The Reassessments shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

(D) In addition to any amounts authorized pursuant to Section 8682 of the Bond Law to be included with the annual amounts of Reassessment installments as aforesaid, the District, pursuant to Section 8682.1 of the Bond Law, may cause to be entered on the Reassessment roll on which taxes will next become due, opposite each lot or parcel of land within the Assessment District in the manner set forth in said Section 8682, each lot's pro rata share of the estimated annual expenses of the District in connection with the administrative duties thereof for the Bonds, including, but not limited to, the costs of registration,

authentication, transfer and compliance with the provisions of the Fiscal Agent Agreement, which amounts shall be placed in the Administrative Expense Fund.

(E) Delinquent Reassessments shall be subject to foreclosure pursuant to the Fiscal Agent Agreement.

Foreclosure. The District covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement and thereafter diligently prosecute an action in the superior court to foreclose the lien of any Reassessment or installment thereof which has been billed, but has not been paid, pursuant to and as provided in Sections 8830 and 8835, inclusive of the Bond Law and the conditions set forth in the Fiscal Agent Agreement as described below. The Treasurer shall notify Counsel to the District of any such delinquency of which the Treasurer is aware, and Counsel to the District shall commence, or cause to be commenced, such foreclosure proceedings, including collection actions preparatory to the filing of any complaint. Counsel to the District is authorized to employ counsel to conduct any such foreclosure proceedings.

On or about August 15 of each Fiscal Year, the Treasurer shall compare the amount of Reassessment theretofore levied in the Assessment District to the amount of Reassessment theretofore received by the District, and, if the amount then on deposit in the Reserve Fund is less than 95% of the then Maximum Reserve Amount, the Treasurer shall notify Counsel to the District of any parcel in the Assessment District with delinquent Reassessment of \$_____ or more, and Counsel to the District shall commence, or cause to be commenced, foreclosure proceedings (beginning with sending the owner of the subject parcel a notice of delinquency and demand for payment) with respect to each such parcel with delinquent Reassessment of \$_____ or more.

Punctual Payment. The District will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

No Encumbrances. The District will not encumber, pledge or place any charge or lien upon any of the unpaid Reassessments or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement, the Formation Act or the Bond Law. The District shall not issue any additional bonds secured by the Reassessments.

Protection of Security and Rights of Owners. The District will preserve and protect the security of the Bonds and the rights of the Owners thereto, and will warrant and defend their rights to such security against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Books and Accounts. The District will keep, or cause to be kept, 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 relating to the Administrative Expense Fund and the Reassessments, which records shall be subject to inspection by the Fiscal Agent (who shall have no duty to so inspect) upon reasonable prior notice on any Business Day.

Yield of the Bonds. In determining the yield of the Bonds to comply with the "No Arbitrage" provisions in the Fiscal Agent Agreement, the District will take into account the redemption price of the Bonds (including premium, if any) in advance of maturity based on the reasonable expectations of the District, as of the Closing Date, regarding prepayments of Reassessments and use of prepayments for redemption of the Bonds, without regard to whether or not prepayments are received or Bonds redeemed.

Further Assurances. 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 the Fiscal Agent Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement.

Private Activity Bond Limitation. The District shall assure that the proceeds of the Prior Bonds and of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code.

Private Loan Financing Limitation. The District shall assure that the proceeds of the Prior Bonds and of the Bonds are not so used as to cause the Bonds to satisfy the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

No Arbitrage. The District shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Prior Bonds and of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Rebate Requirement. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, as applicable to the Bonds and the Prior Bonds. The District may use investment earnings on amounts in the Redemption Fund or amounts on deposit in the Reserve Fund or the Administrative Expense Fund to satisfy any rebate liability to the federal government.

Continuing Disclosure. The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provisions of the Fiscal Agent Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered a default under the Fiscal Agent Agreement; however, the Participating Underwriter (as defined in the Continuing Disclosure Agreement) or any owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations thereunder, including seeking mandate or specific performance by court order.

Investments

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Treasurer or the Fiscal Agent shall be invested by the Treasurer or the Fiscal Agent, respectively, in Authorized Investments. The following shall apply to such investments:

(A) The Treasurer or the Fiscal Agent, as applicable, shall invest any such moneys described in the definition of Authorized Investments in the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

(B) The Treasurer or the Fiscal Agent, as applicable, may act as principal or agent in the acquisition or disposition of any investment. Neither the Treasurer nor the Fiscal Agent, as applicable, shall incur any liability for losses arising from any investments made pursuant to the Fiscal Agent Agreement. For purposes of determining the amount on deposit in any fund or account held under the Fiscal Agent Agreement, all Authorized Investments or investments credited to such fund or account shall be valued at Fair Market Value.

(C) Investments in any funds or accounts held by the Fiscal Agent may at the discretion of the Fiscal Agent be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent under the Fiscal Agent Agreement, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

(D) The Fiscal Agent shall sell at the highest price reasonably obtainable, or present for redemption, any investment security 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 investment security is credited and the Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

(E) The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent under the Fiscal Agent Agreement.

Except as otherwise provided in subsection below, the District covenants that all investments of amounts deposited in any funds or accounts created by the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (as defined by section 148 of the Code) shall be acquired, disposed of and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Code) at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of section 149 of the Code).

Liability of District

The District shall not incur any responsibility in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly provided therein or in the Bonds. The District shall not be liable to any Owner in connection with the performance of its duties thereunder, except for its own negligence or willful misconduct. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default thereunder.

In the absence of bad faith, the District, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of the Fiscal Agent Agreement. The District, including the Treasurer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts other than to the extent of money improperly obtained or retained by the District.

No provision of the Fiscal Agent Agreement shall require the District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to (i) imposing and collecting the Reassessments and transferring the same to the Fiscal Agent; (ii) defending the validity of the Reassessments and the Bonds and the proceedings related thereto, and (iii) the foreclosure proceedings for delinquent Reassessments and the payment of fees and costs of the Fiscal Agent, in each case as required under the Fiscal Agent Agreement) in the performance of any of its obligations under the Fiscal Agent Agreement or in the exercise of any 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 District may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be general Counsel to the District or Bond Counsel, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

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

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

In order to perform its duties and obligations under the Fiscal Agent Agreement, the Treasurer may employ such persons or entities as it deems necessary or advisable. The District shall not be liable for any of the acts or omissions of such persons or entities employed by it with reasonable care and in good faith under the Fiscal Agent Agreement, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

The Fiscal Agent

U.S. Bank National Association, at its office in Los Angeles, California, is appointed Fiscal Agent and Paying Agent for the Bonds under the Fiscal Agent Agreement. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Fiscal Agent Agreement, and no implied covenants or obligations shall be read into the Fiscal Agent Agreement against the Fiscal Agent. With respect to the appointment of the Fiscal Agent, the following shall apply:

- (A) At any time and with or without cause, the District may remove the Fiscal Agent initially appointed and any successor thereto, and may appoint a successor or successor's thereto, but any Fiscal Agent shall be a bank or trust company having a combined

capital (exclusive of borrowed capital) and surplus of at least Twenty-Five Million Dollars (\$25,000,000) 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 paragraph, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(B) The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Fiscal Agent, satisfying the requirements of (A) above, by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective only upon acceptance of appointment by a successor Fiscal Agent.

(C) If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this section within forty-five (45) days after the Fiscal Agent shall have given to the District written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bond Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

(D) If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement shall be assumed by and vest in the Treasurer in trust for the benefit of the Owners. The District covenants for the direct benefit of the Owners that the Treasurer in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent under the Fiscal Agent Agreement, in trust for the benefit of the Owners of the Bonds.

(E) Any company into which a successor Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the preceding paragraphs of this section shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything in the Fiscal Agent Agreement to the contrary notwithstanding. The Fiscal Agent shall give the Treasurer written notice of any such succession under the Fiscal Agent Agreement.

With respect to the liability of the Fiscal Agent, the following shall apply:

(A) The recitals of facts, covenants and agreements in the Fiscal Agent Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, makes no representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any official statement or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(B) The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of the Fiscal Agent Agreement; but in the case of any such certificates or opinions by which any provision of the Fiscal Agent Agreement

is specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Fiscal Agent Agreement. Except as provided above in this paragraph, Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Fiscal Agent Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Fiscal Agent Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

(C) The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(D) No provision of the Fiscal Agent 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 under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers.

(E) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners pursuant to the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(F) The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

(G) The Fiscal Agent may execute any of the powers of the Fiscal Agent Agreement and perform any of its duties by and through attorneys, agents, receivers, consultants or employees and shall not be responsible for any loss or damage resulting from any action or nonaction exercised reasonably and in good faith in reliance on the opinion or advice of such attorneys, agents, receivers, consultants or employees. The Fiscal Agent may pay reasonable compensation to all attorneys, agents, receivers, consultants and employees as may reasonably be employed in connection with the discharge of its duties under the Fiscal Agent Agreement, and shall be entitled to reimbursement therefor.

(H) At any and all reasonable times, the Fiscal Agent and its duly authorized agents, attorneys, experts, accountants and representatives shall have the right fully to inspect all books, papers and records of the District pertaining to the Bonds and to make copies of any such books, papers and records such as may be desired but which is not privileged by statute or law.

(I) The right of the Fiscal Agent to perform any discretionary act enumerated or contemplated in the Fiscal Agent Agreement shall not be construed as a duty.

(J) The Fiscal Agent has no obligation or liability to the Owners for the payment of principal of, redemption price, or interest on the Bonds from its own funds.

(K) Whether or not herein expressly provided, every provision of the Fiscal Agent Agreement relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall (i) be subject to the provisions of this section and (ii) extend to the directors, officers and employees of the Fiscal Agent.

(L) The Fiscal Agent shall not be required to give any bonds or surety in respect of the execution of the duties created by the Fiscal Agent Agreement or the powers granted under the Fiscal Agent Agreement.

The Fiscal Agent shall provide to the District such information relating to the Bonds, the funds held by the Fiscal Agent and the transactions performed by the Fiscal Agent under the Fiscal Agent Agreement as the District shall reasonably request, including but not limited to quarterly statements reporting transactions by the Fiscal Agent.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the Costs of Issuance Fund, the Reserve Fund, and the Redemption Fund (including the Prepayment Account therein). Such books of record and accounts shall, upon reasonable notice, at all times during business hours on any Business Day be subject to the inspection of the District and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent may conclusively rely, without undertaking any investigation or inquiry, and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith 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 person is the registered Owner of such Bond and such Bond is submitted for inspection, if required, and such Owner's title thereto satisfactorily established, if disputed. Whenever in the administration of its duties under the Fiscal Agent Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Fiscal Agent Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Fiscal Agent Agreement) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Fiscal Agent Agreement or any Supplemental 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 seem reasonable.

The District shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under the Fiscal Agent Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of the Fiscal Agent's in house or other attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Fiscal Agent Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under the Fiscal Agent Agreement. The District further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Fiscal Agent Agreement which are not due to its negligence or willful misconduct. The obligation of the District under the Fiscal Agent Agreement shall survive resignation or removal of the Fiscal Agent under the Fiscal Agent Agreement and payment of the Bonds and discharge of the Fiscal Agent Agreement, but any monetary obligation of the District arising under the "Fiscal Agent" provisions of the Fiscal Agent Agreement shall be limited solely to amounts on deposit in the Administrative Expense Fund.

Amendment of the Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners

of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the District of any pledge or lien upon the Reassessments superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the Resolution of Issuance, the laws of the State of California or and the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. No such amendment may modify any of the rights or increase any of the obligations of the Fiscal Agent (other than pursuant to the Fiscal Agent Agreement) without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners (except as provided in the next sentence), only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the District in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the District;

(B) to make modifications not adversely affecting any outstanding series of Bonds in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the District may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds; or

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

Discharge of the Fiscal Agent Agreement

Subject to the provisions of the Fiscal Agent Agreement, if the District shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Redemption Fund and the Reserve Fund, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the District shall determine, as confirmed by Bond Counsel or an independent certified public accountant, which will, together with the interest to accrue thereon and moneys then on deposit in the Redemption Fund and the Reserve Fund, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the District, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the

Reassessments and other funds provided for in the Fiscal Agent Agreement and all other obligations of the District under the Fiscal Agent Agreement with respect to all Bonds Outstanding shall cease and terminate, except only the obligations of the District to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to the Fiscal Agent Agreement; and thereafter Reassessments shall not be deposited to the Redemption Fund. Notice of such election shall be filed with the District. Any funds thereafter held by the Fiscal Agent which are not required for said purpose shall be used by the District as provided in the Act and the Bond Law.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”), dated as of February 1, 2019, is executed by the LOS OSOS COMMUNITY SERVICES DISTRICT (the “District”) and NBS GOVERNMENT FINANCE GROUP (the “Dissemination Agent”), in connection with the issuance by the District of its \$_____ Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019) (the “Bonds”). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of February 1, 2019 (the “Fiscal Agent Agreement”), by and between the District and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”). Pursuant to Section 5.16 of the Fiscal Agent Agreement, the District and the Dissemination Agent covenant and agree as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

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

“*Annual Report Date*” means the date that is nine months after the end of the District’s fiscal year (currently March 31 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” shall mean, initially, NBS Government Finance Group, or any successor Dissemination Agent designed in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official fiscal year period under a Certificate of the District filed with the Fiscal Agent.

“*MSRB*” means 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.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Brandis Tallman LLC, as the original underwriter of the Bonds.

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

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Agreement.

Section 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the holders

and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2019, with the report for fiscal year 2017-18 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. 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 Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Dissemination Agent in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. It is acknowledged that the Closing Date for the Bonds occurred after the end of the 2017-18 fiscal year of the District. In light of the foregoing, submission of the Official Statement shall satisfy the District's obligation to file an Annual Report for fiscal year 2017-18.

The Annual Report for each fiscal year commencing with the Annual Report for the 2018-19 fiscal year, shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the most recently completed fiscal year, 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. If the audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* The Annual Report for each fiscal year commencing with fiscal year 2018-2019 shall also include the following information:

(i) The principal amount of Bonds Outstanding as of the September 2 next preceding the date of the Annual Report.

(ii) The balance in the Reserve Fund, and a statement of the Reserve Requirement, as of the September 2 next preceding the date of the Annual Report.

(iii) The balance in the Redemption Fund.

(iv) The total assessed value of all parcels within the Reassessment District with unpaid Reassessments, as shown on the assessment roll of the County Assessor last equalized prior to the September 2 next preceding the date of the Annual Report, and a statement of assessed value-to-lien ratios therefor, either by individual parcel or by categories, in a table similar to Table 1 in the Official Statement.

(v) The Reassessment aggregate delinquency rate for all parcels within the Reassessment District with unpaid Reassessments, the aggregate number of parcels within the Reassessment District which are delinquent in payment of Reassessments, and the percentage of the most recent annual Reassessment levy that is delinquent, all as of the September 2 next preceding the date of the Annual Report.

(vi) The status of foreclosure proceedings for any parcels within the Reassessment District with delinquent Reassessments, and a summary or the results of any foreclosure sales or other collection efforts with respect to delinquent Reassessments, as of the September 2 next preceding the date of the Annual Report.

(c) In addition to any of the information expressly required to be provided under this Disclosure Agreement, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an 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, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) The incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Significant Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Fiscal Agent Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier "if material." The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law. The District intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Agreement, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District 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 District, or if such jurisdiction has been assumed by leaving the existing governing 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 District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement 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 District shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

Section 8. Dissemination Agent. (a) The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be NBS Government Finance Group.

If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Agreement and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder, with payment to be made from any lawful funds of the District. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the owners of the Bonds, the beneficial owners of the Bonds, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any written direction from the District or a written opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 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 for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of 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 District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Agreement, the Participating Underwriter or 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 District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of February 1, 2019.

LOS OSOS COMMUNITY SERVICES DISTRICT

By: _____
General Manager

NBS GOVERNMENT FINANCE GROUP,
Dissemination Agent

By: _____
Its: _____

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Los Osos Community Services District

Name of Issue: Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019)

Date of Issuance: February __, 2019

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Agreement, dated as of February 1, 2019, furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

NBS GOVERNMENT FINANCE GROUP, as
Dissemination Agent

By: _____

Its: _____

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

February __, 2019

Board of Directors
Los Osos Community Services District
2122 Ninth Street
Los Osos, California 93402

OPINION: \$_____ Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019)

Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by the Los Osos Community Services District (the "District") of its \$_____ Los Osos Community Services District Limited Obligation Refunding Bonds Wastewater Assessment District No. 1 (Reassessment and Refunding of 2019) (the "Bonds"), pursuant to a Fiscal Agent Agreement, dated as of February 1, 2019 (the "Fiscal Agent Agreement"), by and between the District and U.S. Bank National Association, as fiscal agent, Resolution No. _____, adopted by the Board of Directors of the District on January 10, 2019 (the "Resolution"), and the Refunding Act of 1984 for 1915 Improvement Act Bonds, being Division 11.5, commencing with Section 9500, of the California Streets and Highways Code (the "Act").

In connection with this opinion, we have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Fiscal Agent Agreement and the Resolution, and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is a community services district duly organized and existing under the laws of the State of California, with the power to adopt the Resolution and issue the Bonds.
2. The Fiscal Agent Agreement has been duly entered into by the District and constitutes a valid and binding obligation of the District enforceable upon the District in accordance with its terms.
3. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding limited obligations of the District, payable solely from the sources provided therefor in the Fiscal Agent Agreement.
5. Subject to the District's compliance with certain covenants, interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes, and

(b) is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Failure by the District to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the Owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1 through 10 of this APPENDIX E has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Bonds, "Issuer" means the District, and "Agent" means the Fiscal Agent.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. 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 U.S. 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. The information set forth on such website is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Securities documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, principal, and interest payments on the Securities 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 Issuer or Agent, on payable dates 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The foregoing description of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other payments with respect to the Bonds to Direct Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the 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 Participants, as the case may be. The District will not have any responsibility or obligation to Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Bonds.

THE CITY, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES FOR OWNERS TO ONLY DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). If the District determines not to continue the DTC book-entry only system, or DTC discontinues providing its services with respect to the Bonds and the District does not select another qualified securities depository, the District will deliver physical Bond certificates to the Beneficial Owners. The Bonds may thereafter be transferred upon the books of the Fiscal Agent in accordance with the Fiscal Agent Agreement.

APPENDIX F
REASSESSMENT ENGINEER'S REPORT