

The City cannot predict the impact of Proposition 218 on any future Water System rate increases. On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano* upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The Water System's rates are described under the caption "THE WATER SYSTEM - Water System Rates" above. [Confirm: The City has not received notice that any of its customers plans to challenge the City's current tiered rate structure in accordance with the challenge set forth in the *City of San Juan Capistrano* case. The City believes that if its current Water System rate structure was successfully challenged, it would nonetheless be able to meet the requirements of the Rate Covenant set forth above. See "SECURITY FOR THE BONDS - Rate Covenant" above. If City Staff members determine to proceed with the acquisition of Las Deltas and to recommend the adoption of the rates set forth in the 2016 Water System Rate Study, the City will follow the procedural requirements of Proposition 218 and the City will act in accordance with the Rate Covenant described above. The 2016 Water System Rate Study will not provide for a tiered rate structure.]

Numerous other recent appellate court opinions interpret and apply Proposition 218 in the context of evaluating the validity of water-related fees and charges. The City is unable to predict at this time how Proposition 218 will ultimately be interpreted by the courts and what, if any, further implementing legislation will be enacted, and there can be no assurance that Proposition 218 will not limit the future ability of the City to impose, levy, charge and collect increased fees and charges for water service.

## **Proposition 26**

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIII C. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D of the California Constitution pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The City believes that the City's current rates and charges for the Water System are not taxes under Proposition 26.

## **Constitutional Limit on Appropriations**

Under Article XIII B of the California Constitution, state and local government entities have an annual "appropriations limit" which limits their ability to spend certain moneys called "appropriations subject to limitation," which consists of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. In

general terms, the "appropriations limit" is to be based on certain Fiscal Year 1978-79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. The City is of the opinion that the rates and use charges imposed by the City in connection with the Water System do not exceed the costs the City reasonably bears in providing water delivery.

### **No Obligation to Tax**

The obligation of the City to pay the debt service payments on the Bonds does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay debt service payments on the Bonds does not constitute a debt or indebtedness of the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

### **Geologic and Topographic Conditions; Other Events of Force Majeure**

The financial stability of the Water System can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements 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 floods) and climatic conditions (such as windstorms and drought).

The City is located in the San Joaquin Valley, which is cut by many faults, the largest being the San Andreas Fault. The San Joaquin Valley has experienced two significant earthquake events, the Tejon Earthquake occurring in 1857 on the San Andreas Fault and the Bakersfield Earthquake occurring in 1952 on the White Wolf Fault, in recent historic times. The Tejon earthquake was close in size to, and some believe larger than, the Great San Francisco earthquake of 1906, whereas the Bakersfield earthquake was the third largest quake in California after the Tejon and San Francisco events.

Engineering standards require that certain factors be taken into account, to a limited extent, in the design of City-owned improvements. Some of these factors may also be taken into account in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur which may result in damage to improvements in varying degrees, and such damage may entail significant repair or replacement costs, and there can be no assurance that such repair or replacement will occur. Under any of these circumstances, the actual value of public and private improvements within the City, including improvements owned by the Water System, in general may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

In addition to the events described above, City and Water System facilities are also at risk from other events of force majeure, such as explosions, strikes and lockouts, sabotage, wars, riots and spills or hazardous substances, among other events. Although the City maintains certain insurance policies, such required policies do not cover damage and delay from all events that could interrupt the operation of City facilities, including Water System facilities, and may not be maintained in amounts that would be sufficient or be paid in sufficient time in all events to pay all of the City's and Water System's expenses, including debt service payments on the Bonds. In addition, the City does not currently maintain earthquake insurance with respect to its facilities, including the facilities of the Water System. See " - Insurance" below. No assurances can be given that the City will be able to repair any damage, revise any designs or commence or resume operation of City facilities, including the facilities of the Water System, following an event of force majeure.

Interruption of water delivery for any reason will not alter the legal obligation of the City to pay Debt Service Payments. However, a failure to deliver water could materially adversely affect the generation of Net Revenues.

### **Drought**

Droughts that have had an adverse effect on California water supplies occurred in 1976, 1977 and 1987 through 1992, 2008 through 2011, and are presently ongoing. California is in its fifth year of drought, one of the worst on record for State.

Due to drought conditions and court-ordered restrictions, which reduced water deliveries from the State Water Project, on January 17, 2014, Governor Jerry Brown declared a State-wide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history; California's river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. As part of his State of Emergency declaration, the Governor directed State officials to expedite existing conservation grant programs, facilitate water transfers, conduct a water conservation and outreach campaign in cooperation with local water agencies and organizations, and take additional drought response and water conservation actions. He further directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Following the Governor's declaration, the State Water Board issued a statewide notice of water shortages and potential future curtailment of water right diversions.

On April 1, 2015, the Governor issued an executive order mandating certain water conservation measures, including a requirement that the State Water Board impose restrictions to achieve a statewide 25% reduction in urban water usage, through February 28, 2016. See "THE WATER SYSTEM - Impact of Ongoing Drought" herein. On November 13, 2015, the Governor issued a subsequent executive order mandating that, should drought conditions persist through January 2016, such reductions in urban water usage shall remain in effect through October 31, 2016. As of December 31, 2015, the cumulative statewide reduction in urban water usage was almost 1.1 million acre-feet of water saved, and putting the State 91% of the way to meeting the 1.2 million acre-feet savings goal to be achieved through February 2016.

On May 9, 2016, Governor Brown issued a further executive order pursuant to which certain urban water usage emergency drought regulations, including bans on hosing down

driveways and watering laws within 48 hours of a rainstorm, will remain in place indefinitely. Urban water suppliers will be required to report their water use to the State each month and to develop plans to get through long-term periods of drought. On May 18, 2016, the State suspended the statewide 25% reduction in urban water usage, instructing local communities to set their own conservation standards. Both of the May 2016 executive orders were issued in response to a winter in which an El Niño weather pattern caused excess rainfall in the northern part of the State but did not provide enough rainfall in the southern part of the State to fully ameliorate drought conditions.

Due to the City's small size, it has not been subject to the Water Board's conservation mandates affecting many communities in California. Nonetheless, the City has implemented a three-day watering schedule and closed the City's splash park. Water consumption within the City through recent drought has been, in aggregate, stable, with a noted reduction in residential consumption being balanced against an increase in commercial and industrial water use. No assurance is hereby given that future limitations on water supplies in California will not be imposed by Executive Order.

### **Statutory Changes and Initiatives**

In addition to the other limitations described herein, the California electorate or Legislature could adopt legislation or an initiative, respectively, with the effect of (i) reducing Gross Revenues payable to or collected by the City for the Water System, (ii) adversely affecting the City's rights and powers, or (iii) imposing additional limitations or additional legal responsibilities on the City with respect to the Water System. Furthermore, there is no assurance that such change in law would not at some future time adversely affect the City's ability to pay debt service on the Bonds.

### **Insurance**

The City maintains liability and property insurance. This insurance does not cover damage caused by earthquakes nor does the City maintain self-insurance for such purpose. Though the City believes that the City's coverages for the Water System are similar to those customarily maintained by similar utility systems, no assurances can be given that (i) such insurance will be adequate to cover any property damage or liability of the City with respect to the Water System in all circumstances or that (ii) such insurance will be carried in a coverage amount sufficient to prevent a material adverse impact on the Net Revenues resulting from claims against the City with respect to the Water System or property damage sustained by the City and/or the Water System.

### **Early Redemption of Premium Bonds**

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated for federal tax purposes as having amortizable premium. If such Premium Bonds are redeemed prior to maturity (or, in some cases, prior to a scheduled redemption date) as described herein under "THE BONDS – Redemption," not all of the amortized premium may be realized by the Owner. The Premium Bonds are treated as all other Bonds for purposes of selection for redemption prior to maturity as described herein.

### **Limitations on Remedies Available; Bankruptcy**

The enforcement of any rights and remedies provided in the Indenture, including but not limited to the remedy of acceleration of debt service payments, could be substantial and the process lengthy. The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Any suit requesting accelerated payment of debt service and/or money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "THE BONDS – Acceleration" above.

Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. The legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the Bond documents, including the Indenture, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise or judicial discretion.

### **Loss of Tax Exemption**

As discussed in this Official Statement under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, the United States Congress or the IRS might not change the Tax Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

### **Absence of Market for the Bonds**

There can be no assurance that there will ever be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms that may make the secondary market, and the financial condition of the City.

## **TAX MATTERS**

### **General**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the "Code") that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel is of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from State of California personal income taxes.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

### **Tax Treatment of Original Issue Discount and Premium**

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Bond and the basis of such Bond acquired at such initial offering price by an initial purchaser of each such Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase such Bonds after the initial offering of a substantial amount thereof.

Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of such Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Bond based on the purchaser's yield to maturity in such Bonds, except that in the case of such a Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such a Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a Bond, and with respect to the state and local tax consequences of owning and disposing of such a Bond.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely 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. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### **Form of Opinion**

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

## **CONTINUING DISCLOSURE**

***Current Undertaking.*** The City has covenanted for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Bonds to the Municipal Securities Rulemaking Board by not later than March 1 of each year (the "Annual Report Filing Deadline") with respect to the City's most-recently-ended Fiscal Year (such financial information, the "Annual Report") and to provide notices of the occurrence of certain enumerated events so long as the Bonds are outstanding. If the Annual Report Filing Deadline

falls on a non-business day, then the Annual Report will be submitted on the next regularly scheduled business day. The Annual Report and notices of events will be filed by the City with the Municipal Securities Rulemaking Board (the "MSRB"), as repository, and in accordance with the requirements of Securities Exchange Commission Rule 15c2 12(b)(5) (the "Rule").

The above covenants with respect to continuing disclosure have been made in order to assist the Underwriter in complying with the Rule. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

***Previous Undertakings.*** Within the past five years and prior to the issuance of the Bonds, the successor agency to the City's former redevelopment agency has filed annual reports and audited financial statements with respect to two series of privately-placed refunding bonds with EMMA. There has been no other outstanding debt of the City with associated continuing disclosure obligations.

***Future Undertakings.*** The City believes that it has implemented sufficient policies and procedures in order to ensure the timely and correct filing of future Annual Reports and notices of enumerated events required under its existing continuing disclosure obligations, including the obligation pertaining to the Bonds. The City has retained \_\_\_\_\_, to serve as its dissemination agent with respect to its continuing disclosure obligations for the Bonds.

## **NO LITIGATION**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance or delivery of the Bonds, the Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the City taken with respect to any of the foregoing. The City is not aware of any litigation pending or threatened questioning the existence or powers of the City or the ability of the City to pay principal of or interest on the Bonds.

Although the City is subject to a number of lawsuits in the ordinary conduct of its affairs, there are no claims or actions, threatened or pending, which, if determined against the City, either individually or in the aggregate, would have a material adverse effect on the financial conditions of the Water System or the Utility Fund.

## **CONCLUDING INFORMATION**

### **Underwriting**

The City has agreed to sell the Bonds to Hilltop Securities Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of \$\_\_\_\_\_ (the principal amount of the Bonds, [less net original issue discount] [plus net original issue premium] of \$\_\_\_\_\_ and less an underwriting discount of \$\_\_\_\_\_). The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Bonds if any such Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the prices and/or yield set forth on the cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.



The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. In reoffering Bonds to the public, the Underwriter may overalloc or effect transactions which stabilize or maintain the market prices for Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

### **Rating**

[S&P is expected to assign its municipal bond rating of “\_\_\_” to the Bonds, with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Insurer.] In addition, S&P has assigned their municipal bond rating of “\_\_\_” to the Bonds, notwithstanding the delivery of the Insurance Policy. Such ratings reflects only the views of the ratings agency and any desired explanation of the significance of such ratings should be obtained from S&P at the following address: S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, 55 Water Street, 45th Floor, New York, NY 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **Legal Opinions**

All legal matters in connection with the issuance of the Bonds are subject to the approval of Nossaman LLP, Irvine, California, as Bond Counsel. A copy of the approving opinion of Bond Counsel will be provided to the registered owners of the Bonds, and the form of such opinion is attached hereto as APPENDIX D. Certain legal matters will be passed upon for the City by its Counsel, Fike & Boranian, Clovis, California and by Nossaman LLP, Irvine, California, Disclosure Counsel. The Underwriter is being represented by its counsel, Norton Rose Fulbright US LLP, Los Angeles, California. From time to time, Bond Counsel and Disclosure Counsel may represent the Underwriter on matters not related to the Bonds.

### **Municipal Advisor**

The City has retained A. M. Peché & Associates LLC, Alameda, California, as financial advisor (the “Municipal Advisor”) in connection with the preparation of this Official Statement and with respect to the delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness of fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal or other public securities.

The Municipal Advisor has provided the following sentence for inclusion in this Official Statement: “The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction,

but the Municipal Advisor does not guarantee the accuracy or completeness of such information."

### **Professional Fees**

In connection with the execution and delivery of the Bonds, fees payable to Bond Counsel, Disclosure Counsel, the Municipal Advisor and the Trustee are contingent upon the execution and delivery of the Bonds.

### **Verification of Mathematical Computations**

Upon delivery of the Bonds, the Verification Agent will deliver its independent certified public accountants' verification report on the mathematical accuracy of certain computations, contained in schedules provided to it which were prepared on behalf of the City by the Underwriter, relating to (a) the adequacy of the moneys held in the Escrow Fund as cash, to pay the prepayment prices of and interest on the 2007 Certificates and (b) the computations of yield of the Bonds which support Bond Counsel's opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes. See "TAX MATTERS" above.

The report of the Verification Agent will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report

### **Miscellaneous**

Some of the data contained herein has been taken or constructed from City records. Appropriate officials of the City, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. The execution and delivery of this Official Statement has been duly authorized by the City Council.

### **CITY OF FIREBAUGH**

By: \_\_\_\_\_  
City Manager

**APPENDIX A**  
**SUMMARY OF THE INDENTURE**  
**[TO COME]**

## **APPENDIX B**

### **GENERAL INFORMATION REGARDING THE CITY OF FIREBAUGH AND FRESNO COUNTY**

*The following information concerning the City of Firebaugh and Fresno County are included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the County, the State or any of its political subdivisions, and none of the County, the State nor any of their political subdivisions, is liable therefor.*

**[TO COME]**

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2014-15**

## **APPENDIX D**

### **FORM OF FINAL OPINION OF BOND COUNSEL**

*Upon the delivery of the Bonds, Nossaman LLP proposes to render its final approving opinion with respect to the Bonds in substantially the following form:*

**[TO COME]**

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**CITY OF FIREBAUGH**  
**WATER REVENUE REFUNDING BONDS**  
**SERIES 2016A**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Firebaugh ("City") in connection with the issuance of the above-entitled bonds (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2016 (the "Indenture") between the City and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California (the "Trustee"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriter (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Reports provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Disclosure Representative" shall mean the City Manager of the City, or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent, if other than the City, from time to time.

"Dissemination Agent" shall initially mean \_\_\_\_\_, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"EMMA" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

"Fiscal Year" shall mean the twelve month period beginning on July 1 of each year and ending on June 30 of the same year.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean EMMA.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, annually not later than October 1 in each year following the end of the City's Fiscal Year, commencing with the report for Fiscal Year ending June 30, 2016, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. The information contained or incorporated in each Annual Report shall be for the Fiscal Year which ended on the preceding June 30. The City 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 it hereunder. The Dissemination Agent may conclusively rely upon such certifications of the City and shall have no liability, duty or obligation whatsoever to review any such Annual Report. Further, the Dissemination Agent shall have no liability for the contents of any such annual report.

(b) If the City is unable to provide to the Repository an Annual Report by the date required in this Section 3, the City shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A.

(c) Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository, if any; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing the Repository to which it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the most recent audited financial statements of the City prepared in accordance with generally accepted accounting principles promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. In addition, the Annual Report shall contain an annual updating of the following tables and information contained in the Official Statement:

[(i) Water connections for the fiscal year (Table \_\_);



- (ii) Water System Rates and Charges (to the extent they have changed from the prior fiscal year);
- (iii) Water production (Table \_\_) and water sold (Table \_\_) for the fiscal year;
- (iv) Largest customers (Table \_\_); and
- (v) The prior fiscal year's operating results presented in a format substantially similar to Table \_\_ (no update for future years is required).]

In addition to any of the information expressly required to be provided under this Section, the City shall provide such further 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.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

#### Section 5. Reporting of Significant Events.

(a) The City shall give or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than 10 business days after the occurrence of the event:

- 1. Principal and interest payment delinquencies;
- 2. Unscheduled draws on debt service reserves reflecting financial difficulties;
- 3. Unscheduled draws on credit enhancements reflecting financial difficulties;
- 4. Substitution of credit or liquidity providers, or their failure to perform;
- 5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- 6. Tender offers;
- 7. Defeasances;
- 8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4, as provided in Section 4(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a

notice of such occurrence with the Repository in electronic format, accompanied by such identifying information as is prescribed by the Repository. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) 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 pursuant to the Indenture.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

(i) Notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent to the extent it has knowledge thereof, unless the City gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) Notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the 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 City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the City. If at any time there is no designated Dissemination Agent appointed by the City, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the City shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment requested by the City, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities law, acceptable to the City and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to

that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Dissemination Agent, at the written request of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of the outstanding Bonds, shall (but only to the extent funds in any amount satisfactory to the Dissemination Agent have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges whatsoever related thereto, including without limitation, fees and expenses of its attorneys), or any Bond owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indenture and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under said Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed by the City all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not have any duty or obligation to review any information provided to it hereunder or shall be deemed to be acting in any fiduciary capacity for the City, the owners of the Bonds or any other party. The obligations of the City under this section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any document or any further act.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2016

**CITY OF FIREBAUGH**

By: \_\_\_\_\_  
City Manager

**EXHIBIT A**

**NOTICE OF MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Firebaugh

Name of Issue: City of Firebaugh Water Revenue Refunding Bonds, Series 2016A

Date of Issuance: \_\_\_\_\_, 2016

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

CITY OF FIREBAUGH

By: \_\_\_[no signature required; form only]\_\_\_

## APPENDIX F

### THE BOOK-ENTRY SYSTEM

**The information concerning DTC set forth herein has been supplied by DTC, and the City assumes no responsibility for the accuracy thereof.**

Unless a successor securities depository is designated pursuant to the Indenture, DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

**DTC and Its Participants.** 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 Enterprise, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing corporation" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 transfer 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks and 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 been rated "AA+" by S&P. The DTC Rules applicable to its Participants are on file with the Securities Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

**Purchase of Ownership Interests.** Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

**Notices and Other Communications.** 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. THE CITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

**Voting Rights.** Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

**Redemption Proceeds.** Payments of principal and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. 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 nor its nominee, the Trustee, or the City, 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 the Trustee, 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.

THE TRUSTEE AND THE CITY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR



THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF BONDS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNER OF THE BONDS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN)

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial owner interest in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

**Discontinuance of Book-Entry System.** DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture.

## **APPENDIX G**

### **[SPECIMEN MUNICIPAL BOND INSURANCE POLICY]**

\$ \_\_\_\_\_  
**CITY OF FIREBAUGH**  
**WATER REVENUE REFUNDING BONDS, SERIES 2016A**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2016

City of Firebaugh  
1133 "P" Street  
Firebaugh, California 93622

Ladies and Gentlemen:

Hilltop Securities Inc. (the "Underwriter") offers to enter into this agreement (this "Bond Purchase Agreement") with the City of Firebaugh (the "City") which, upon your acceptance of this offer, will be binding upon you and upon the Underwriter. This offer is made subject to your acceptance of this Bond Purchase Agreement on or before 11:59 p.m., California time, on \_\_\_\_\_, 2016 and, if this Bond Purchase Agreement is not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to your office at any time prior to acceptance hereof by you.

The City acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the City; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the City with respect to: (x) the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the City or affiliates of the City on other matters); or (y) any other obligation to the City except the obligations expressly set forth in this Bond Purchase Agreement; and (iv) the City has consulted with its own legal and financial advisor to the extent it has deemed appropriate in connection with the offering of the Bonds.

1. **Purchase and Sale of Bonds.** Upon the terms and conditions and upon the basis of the representations and warranties set forth herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, an aggregate principal amount of \$ \_\_\_\_\_ of the City of Firebaugh Water Revenue Refunding Bonds, Series 2016A (the "Bonds"). The aggregate purchase price to be paid by the Underwriter for the Bonds shall be \$ \_\_\_\_\_ (being the principal amount of the Bonds, plus/less original issue premium/discount of \$ \_\_\_\_\_ and less the Underwriter's discount of \$ \_\_\_\_\_) (such payment and delivery and the other actions contemplated hereby to take place at the time of such payment and delivery being herein sometimes called the "Closing").

The Bonds shall be dated the date of delivery thereof and shall have the maturities and bear interest at the rates per annum shown in Appendix A hereto.

2. **The Official Statement; Continuing Disclosure.** The City hereby ratifies the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement of the City, dated \_\_\_\_\_, 2016, relating to the Bonds (the "Preliminary Official Statement") in connection with the public offering of the Bonds. The City confirms that, as of its date, the Preliminary Official Statement was "deemed final" by it for purposes of Rule 15c2-12(b)(1) of the Securities and Exchange Commission (the "Rule"). The City hereby agrees to execute a final official statement of the City relating to the Bonds (the "Official

Statement”), which will consist of the Preliminary Official Statement with such changes as may be made thereto to reflect the final terms of the Bonds.

The City agrees to deliver to the Underwriter, at such addresses as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with the Rule and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The City agrees to deliver such Official Statements within seven business days after the execution of this Bond Purchase Agreement. The City hereby authorizes the Underwriter to use and distribute the Official Statement, and all other documents, certificates and statements furnished by them to the Underwriter in connection with the transaction contemplated by this Bond Purchase Agreement, in connection with the offer and sale of the Bonds.

Prior to the earlier of (i) receipt of notice from the Underwriter that Official Statements are no longer required under the Rule or (ii) 25 days after the End of the Underwriting Period (as defined below), the City shall provide the Underwriter with such information regarding the City, its current financial condition and ongoing operations as the Underwriter may reasonably request. The term “End of the Underwriting Period” means the later of (i) the Closing Date (as defined below), or (ii) the date the Underwriter does not retain directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to the preceding sentence shall be in written form and delivered to the City at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the “End of the Underwriting Period.”

The Underwriter agrees to file a copy of the Official Statement with the Municipal Securities Rulemaking Board.

The City will undertake, pursuant to a Continuing Disclosure Certificate, dated \_\_\_\_\_, 2016 (the “Continuing Disclosure Certificate”), to provide certain annual financial and operating data and notices of certain enumerated events.

3. ***The Bonds.*** The Bonds shall be described in, and shall be issued and secured under the provisions of an Indenture of Trust, dated as of September 1, 2016 (the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”). The Bonds are being issued to pursuant to Articles 10 (commencing with Section 53570) and 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government code of the State of California). The City hereby authorizes the Underwriter to use and distribute the Indenture, the Continuing Disclosure Certificate and the information contained in such documents in connection with the public offering and the sale of the Bonds.

The Bonds are being issued to (a) defease the Certificates of Participation (2007 Water System Improvement Project), (b) to purchase a municipal bond insurance policy, and (c) pay costs of issuance relating to the Bonds.

4. ***Representations, Warranties and Agreements of the City.*** The City represents and warrants to, and covenants and agrees with, the Underwriter that:

(a) ***Due Organization.*** The City is a municipal corporation organized under the laws of the State of California; the City has, and at the time of the Closing will have, full legal right, power and authority (i) to execute and enter into this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate, (ii) to issue, sell, execute and deliver the Bonds to the Underwriter pursuant to the Constitution and laws of the State, particularly Articles 10

(commencing with Section 53570) and 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government code of the State of California), and (iii) to carry out and to consummate the transactions contemplated by, and to perform all of its obligations under, this Bond Purchase Agreement, the Indenture, the Continuing Disclosure Certificate and the Official Statement.

(b) *Due Authorization, Execution and Delivery.* The City has (i) duly authorized and approved the Official Statement, (ii) duly authorized and approved the execution and delivery of, and performance by the City of its obligations under, the Bonds, this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate, (iii) duly authorized and approved the consummation by the City of the transactions contemplated by the Official Statement, and (iv) through its City Council, duly adopted a Resolution (the "Resolution") approving the issuance of the Bonds and the execution and delivery of this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate.

(c) *Due Execution and Delivery of Bonds.* At or prior to the Closing Date, the Bonds, this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate will have been duly executed and delivered by the City and, assuming due execution and delivery by the other respective parties thereto, each of them will constitute legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except to the extent that the enforceability may be limited by bankruptcy or other laws affecting the rights of creditors generally and except that equitable remedies lie in the discretion of the court and may not be available.

(d) *No Conflicts.* The issuance, sale, execution and delivery of the Bonds, the execution and delivery of this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate and the adoption of the City Resolution and compliance with the provisions of each thereof do not and will not violate or constitute a breach of or default under any applicable constitution, law or administrative regulation of the State or the United States or any applicable judgment or decree or any agreement, indenture, commitment, contract or other instrument to which the City is a party or is otherwise subject.

(e) *Official Statement.* The Preliminary Official Statement does not, and the Official Statement as of the date hereof and on the Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein in light of the circumstances under which they were made, not misleading; provided, however, that no representation or warranty is made with respect to any information relating to The Depository Trust Company included therein. The City Resolution, the Bonds, the Indenture and the Continuing Disclosure Certificate will, at the Closing, conform in all material respects to the descriptions thereof in the Official Statement. The financial data relating to the City and the financial statements of the City contained in the Official Statement fairly present, and as of the Closing Date will fairly present, the financial condition and results of the operation of the City at the dates and for the periods therein specified in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements of the City.

(f) *Covenant to Notify.* If, at any time prior to the earlier of (i) receipt of notice from the Underwriter pursuant to Section 2 hereof that Official Statements are no longer required to be delivered under the Rule, or (ii) 25 days after the End of the Underwriting Period, any event occurs of which the City has knowledge as a result of which the Official Statement as then amended or supplemented might include an untrue statement of a material fact, or omit to state any 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, the City shall promptly notify the Underwriter in writing of such event, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and manner approved by the Underwriter. Any information supplied by the City for inclusion in any amendments or supplements to the Official Statement will not contain any untrue or misleading statement of a material fact required to be stated therein or omit to state any 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.

(g) *No Other Debt.* Between the date of this Bond Purchase Agreement and the Closing Date, except as described in or contemplated by the Official Statement, the City will not, without the prior written consent of the Underwriter, issue any bonds, notes or other obligations secured by the revenues of the City's water system.

(h) *No Litigation.* Except as described in the Official Statement, no action, suit, proceeding, investigation or litigation of any nature is now pending against the City or, to the best of the City's knowledge, threatened against the City in any court or before any governmental agency:

(i) restraining or enjoining, or seeking to restrain or enjoin, the issuance, sale, execution or delivery of the Bonds;

(ii) in any way contesting or affecting (A) the validity or enforceability of the Bonds, (B) any proceedings of or on behalf of the City taken with respect to the issuance or sale of the Bonds, (C) the adoption of the City Resolution or the execution and delivery of the Indenture or the Continuing Disclosure Certificate, (D) the pledge of the ad valorem assessments and other funds under the Indenture, as described in the Official Statement, or (E) the existence or powers of the City; or

(iii) in any manner questioning (A) the proceedings or authority for the issuance of the Bonds, (B) any provision made or authorized for the payment of the Bonds, (C) the existence of the City, or (D) the power of the City to issue the Bonds.

None of the City's proceedings or authority for the issuance, sale, execution and delivery of the Bonds, or the execution and delivery of this Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, or the adoption of the City Resolution has been repealed, modified, amended, revoked or rescinded.

(i) *Blue Sky.* The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, as the Underwriter may reasonably request, to qualify the Bonds for offer and sale under the Blue Sky or securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the City shall not be required to consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

(j) *No Consents Required.* All approvals and consents which would constitute a condition precedent to the performance by the City of its obligations hereunder and under the City Resolution, the Bonds, the Indenture and the Continuing Disclosure Certificate have been obtained and are in full force and effect. No other authorization, consent or approval of, or filing or

registration with, any governmental authority or court is, or under existing requirements of law will be, necessary for the valid execution and delivery of, or performance by the City of its obligations under, this Bond Purchase Agreement, the City Resolution, the Bonds, the Indenture and the Continuing Disclosure Certificate, other than any authorization, consent, approval, filing or registration as may be required under the Blue Sky or securities laws of any state in connection with the offering, sale or issuance of the Bonds. All authorizations, consents or approvals of, or filings or registrations with any governmental authority or court necessary for the valid issuance of, and performance by the City of its obligations under, the Bonds will have been duly obtained or made prior to the issuance of the Bonds (and disclosed to the Underwriter).

(k) *No Defaults.* The City has not, since its creation, been declared to be in default in the payment of principal of, premium, if any, or interest on, or otherwise been declared to be in default with respect to, any bonds which it has issued.

(l) *Assets.* Since June 30, 2015, the City has not taken any official action with regard to the sale of a substantial amount of its assets, operations or a combination of its assets or operations.

(m) *Certificates.* Any certificate signed by any official of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the truth and statements therein contained.

(n) *Conformity.* The Bonds will be issued in accordance with the Indenture and will conform in all material respects to the descriptions thereof contained in the Official Statement.

(o) *Continuing Disclosure.* Except as set forth in the Official Statement, the City has not failed to comply in all material aspects with any previous undertakings with regard to the Rule to provide annual reports or notices of specific events in the preceding five years.

(p) *G-17 Disclosure.* The City hereby acknowledges that the Underwriter has provided to the City prior disclosures regarding its role as underwriter. The City has a municipal advisor in this transaction that has legal fiduciary duties to the City..

5. ***Closing.*** Except as the City and the Underwriter may otherwise agree, the City will deliver to the Underwriter, at the offices of Nossaman LLP, in Irvine, California, or at such other location as may be mutually agreed upon by the City and the Underwriter, the documents hereinafter mentioned and the City will deliver to the Underwriter through the facilities of The Depository Trust Company (“DTC”) or, if pursuant to a “Fast Automated Securities Transfer” delivery, to the Trustee, the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed in the manner provided for in the Indenture at 8:00 a.m. California time, on \_\_\_\_\_, 2016 (the “Closing Date”), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 2 this Bond Purchase Agreement in immediately available funds. The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

6. ***Conditions to Closing.*** The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations, warranties and covenants of the City contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter’s obligation under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject to the performance by the City of its obligations to be performed hereunder

and under such documents and instruments at or prior to the Closing and shall also be subject to the following conditions:

(a) The representations and warranties of the City contained herein shall be true, complete and correct in all material respects on the date hereof and on and as of the Closing Date, as if made on the Closing Date; and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the Closing Date; the City shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement (unless such agreements are waived by the Underwriter); and there shall not have occurred an adverse change in the financial position, results of operations or financial condition of the City which materially adversely affects the ability of the City to pay interest or principal with respect to the Bonds when due or to otherwise perform any of its obligations under the Indenture.

(b) On the Closing Date, the Official Statement, the City Resolution, the Indenture, the Continuing Disclosure Certificate and this Bond Purchase Agreement shall be in full force and effect, and shall not have been amended, modified or supplemented (except as may be agreed to in writing by the Underwriter); all actions which, in the opinion of Nossaman LLP, Bond Counsel, shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and the City shall perform or have performed its obligations required under or specified in this Bond Purchase Agreement, the Official Statement, the Indenture and the Continuing Disclosure Certificate to be performed at or prior to the Closing.

(c) On the Closing Date, the Official Statement (as amended and supplemented) shall be true and correct in all material respects, and shall not omit any statement or information necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that no representation or warranty is made with respect to any information relating to The Depository Trust Company included therein.

(d) (i) No default by the City shall have occurred and be continuing in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued by the City, and (ii) no bankruptcy, insolvency or other similar proceeding in respect of the City, shall be pending or to the knowledge of the City contemplated.

(e) The Underwriter shall have the right to terminate its obligations under this Bond Purchase Agreement to purchase, accept delivery of and pay for the Bonds by notifying the City of its election to do so if, after the execution hereof and prior to the Closing, regardless of whether any of the following statements of fact were in existence or known of on the date of this Bond Purchase Agreement:

(i) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or the State or by any federal or State legislation or the promulgation of any rule or regulation thereunder or by any decision of any federal or State court or by any ruling or regulation (final, temporary or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other federal or State authority, affecting (1) the tax status of the City, its property or income or its obligations (including the Bonds), (2) the tax status of the interest on the Bonds, (3) any tax exemption granted or authorized by any other law, or (4) the validity of the Bonds, the Indenture or the Continuing Disclosure Certificate;



(ii) the United States shall have become engaged in hostilities or there shall have been an escalation in hostilities, or a national emergency or the President of the United States of America shall have committed the armed forces of the United States of America to combat so as to adversely affect the financial markets in the United States of America and in the reasonable opinion of the Underwriter materially adversely affects the market for the Bonds;

(iii) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium shall have been declared by the United States, New York State or State authorities having jurisdiction and being in force;

(iv) there shall have occurred any material adverse change in the condition, financial or otherwise, or in the results of operations of the City which in the reasonable opinion of the Underwriter materially adversely affects the market for the Bonds;

(v) legislation shall have been enacted or actively considered for enactment or introduced, with an effective date prior to the Closing Date, or a decision by a court of the United States shall be made, the effect of which is that the offering or sale of the Bonds as contemplated herein is or would be in violation of the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) a stop order, ruling or regulation by the Securities and Exchange Commission shall be issued or made the effect of which is that the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, of the Securities Exchange Act of 1934, as amended and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect.

(f) At or prior to the Closing, the Underwriter shall have received the following documents:

(i) The Official Statement executed on behalf of the City by an authorized officer thereof.

(ii) The Resolution certified by an authorized officer of the City as having been duly adopted by the City Council of the City and as being in effect, without amendment or supplement, on the Closing Date, the Indenture duly executed by the City and the Trustee, and the Continuing Disclosure Certificate duly executed by the City and \_\_\_\_\_, as dissemination agent.

(iii) The unqualified opinion, dated the Closing Date and addressed to the City, of Nossaman LLP, Bond Counsel, in substantially the form attached to the Official Statement as APPENDIX D, together with a letter or letters from such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion had been addressed to it.

(iv) A letter of Nossaman LLP, as disclosure counsel ("Disclosure Counsel"), dated the Closing Date, and addressed to the City and the Underwriter, to the effect that,

during the course of serving as Disclosure Counsel in connection with the execution and delivery of the Bonds and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would lead them to believe that the Preliminary Official Statement or the Official Statement (excluding therefrom the financial statements, any financial or statistical data, or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Official Statement, information relating to DTC and its book-entry only system and the appendices to the Official Statement as to which no opinion need be expressed), as of the date thereof, contained or contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(v) The opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel to the effect that: (A) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; (B) the descriptions contained in the Official Statement, as of its date, under the captions "INTRODUCTION," "THE FINANCING PLAN," "THE BONDS," "SECURITY FOR THE BONDS" (excluding any descriptions that may be treated as included under such captions by cross reference), the statements of law made in the Official Statement under the caption "TAX MATTERS" and the descriptions contained in Appendix a to the Official Statement, insofar as such statements purport to summarize certain provisions of the Bonds, the Resolution, the Indenture, the Escrow Instructions, the Continuing Disclosure Certificate and the opinion of said firm concerning certain federal and California tax matters relating to the Bonds, are accurate in all material respects, and (C) the Refunded Bonds have been defeased and are deemed to be no longer outstanding under the instrument pursuant to which they were issued and all obligations of the City under such instrument have ceased, terminated, been discharged and satisfied.

(vi) The opinion, dated the Closing Date and addressed to the Underwriter, of Fike & Boranian, City Attorney, to the effect that (A) the City is a municipal corporation duly organized and existing under and by virtue of the laws of the State of California, (B) the City and has all necessary power and authority to enter into and perform its obligation under the Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate, and the Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate constitute valid and binding obligations of the City enforceable in accordance with their respective terms, (C) City's execution and delivery of the Bonds, the Bond Purchase Agreement, the Escrow Instructions, the Indenture and the Continuing Disclosure Certificate and the performance by the City of its obligations contained therein, and the City's execution and delivery of the Official Statement, will not and do not conflict with, or constitute a breach of or default under, the City's duties under said documents or, to the best of such counsel's knowledge, any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, to which the City is subject or by which it is bound, which conflict, breach or default could have a material adverse effect upon the City's ability to perform its obligations under the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, nor will any such execution, delivery or performance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature

whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture, (D) except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the City required for the execution and delivery of the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate or the execution, delivery, issuance and sale of the Bonds or the consummation by the City of the other transactions contemplated by the Bond Purchase Agreement, (E) there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or governmental agency, public board or body pending, or to such counsel's knowledge threatened, against the City affecting the existence of the City or challenging the title of any director or officer of the City to their respective offices, or seeking to prohibit, restrain or enjoin the execution or delivery of the Bonds, or the collection of the assessments pledged pursuant to the Indenture, or the pledge thereof or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, or in any way contesting the powers of the City or its authority to enter into or perform its obligations under any of the foregoing, or contesting in any way the completeness, accuracy or fairness of the Official Statement, or in which a final adverse decision could materially adversely affect the ability of the City to perform its obligations under the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, (F) to the best of such counsel's knowledge, the City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument, to which the City is a party or is otherwise subject, which breach or default could have a material adverse effect upon the City's ability to perform its obligations under the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which default or event of default could have a material adverse effect upon the City's ability to perform its obligations under the Bonds, the Bond Purchase Agreement, the Indenture or the Continuing Disclosure Certificate, (G) the Resolution was duly adopted at a meeting of the City Council of the City, and (H) the information contained in the Preliminary Official Statement under the caption "NO LITIGATION" as of its date was, and in the Official Statement under the caption "NO LITIGATION" as of its date was, true and correct in all material respects.

(vii) A certificate, dated the Closing Date and signed by an authorized officer of the City, to the effect that:

(A) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(B) none of the proceedings or authority for the issuance, sale, execution and delivery of the Bonds, the execution and delivery of this Bond Purchase Agreement, the Indenture, the Escrow Instructions and the Continuing Disclosure Certificate or the adoption of the City Resolution has been repealed, modified, amended, revoked or rescinded;

(C) subsequent to June 30, 2015 and prior to the Closing Date, there have been no material adverse changes in the financial position of the City; and

(D) no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

(viii) A Certificate as to Arbitrage and Certificate Regarding Use of Proceeds of the City, in form and substance satisfactory to the Underwriter and Bond Counsel.

(ix) A certificate of the Trustee, dated the Closing Date and signed by a duly authorized officer of the Trustee, and in form and substance satisfactory to the Underwriter, to the effect that (A) the Trustee has been duly organized and is validly existing in good standing as a banking association under the laws of the United States with full corporate power to undertake the trusts of the Indenture and the duties under the Continuing Disclosure Certificate, (B) the Trustee has duly executed and delivered the Indenture and the Continuing Disclosure Certificate and by all proper corporate action has authorized the acceptance of the trusts of the Indenture, (C) the Bonds have been validly authenticated and delivered by the Trustee, and (D) no litigation has been served upon or, to the best knowledge of the Trustee, is threatened (either in state or Federal courts) (i) to restrain or enjoin the execution or delivery of the Bonds, or (ii) in any way contesting or affecting any authority for the execution or delivery of the Bonds or the validity or enforceability of the Bonds, the Indenture or the Continuing Disclosure Certificate.

(x) An opinion of counsel to the Trustee, dated the Closing Date, addressed to the Underwriter and the City to the effect that (A) the Trustee is a national banking association duly organized and validly existing under the laws of the United States of America having full power and being qualified to enter into, accept and agree to the provisions of the Indenture, (B) Indenture has been duly authorized, executed and delivered by the Trustee and, assuming due execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the Trustee, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought, (C) the acceptance by the Trustee of its duties and obligations under the Indenture and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation to which the Trustee is subject, except where such breach or default would not have a material adverse effect on the Trustee's ability to perform its obligations under the Indenture, and (D) no authorization, consent or other order of any State or federal government authority or agency having jurisdiction in the matter is required to be obtained by the Trustee for the valid execution or delivery of the Indenture, or for the performance by the Trustee of its obligations under the Indenture.

(xi) Evidence of ratings on the Bonds.

(xii) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request.

All of the opinions, letters, certificates, instruments and other documents mentioned above shall be deemed to be in compliance with the provisions hereof if, and only if, they are in form and substance satisfactory to the Underwriter.

If the City shall be unable to satisfy the conditions to the obligation of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Bond Purchase Agreement, or if the obligation 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 City shall be under further obligation hereunder except that the respective obligations of the City and the Underwriter set forth in Section 7 hereof shall continue in full force and effect.

7. **Expenses.** (a) The Underwriter shall be under no obligation to pay, and the City shall pay, any expenses relating to the performance of the City's obligations hereunder, including, but not limited to: (i) the cost of the preparation, printing and delivery of the City Resolution, the Indenture, the Continuing Disclosure Certificate, the Preliminary Official Statement and the Official Statement, (ii) the cost of the preparation and printing of the Bonds, (iii) the fees and disbursements of Bond Counsel, Disclosure Counsel and City Attorney, (iv) the fees and disbursements of the City's accountants, advisers and of any other experts or consultants retained by the City, (v) the fees and disbursements of the Trustee, (vi) the fees of The Depository Trust Company, if any, (vii) any separate fees of the rating agencies, and (viii) the costs of obtaining CUSIP numbers.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds, (ii) the fees and disbursements of its counsel, and (iii) all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds.

The City acknowledges that the Underwriter will pay from the underwriter's expense allocation of the underwriting discount certain fees, including the applicable per bond assessment charged by the California Debt and Investment Advisory Commission.

8. **Notices.** Any notice or other communication to be given to the City under this Bond Purchase Agreement may be given by delivering the same in writing to City of Firebaugh, 1133 "P" Street, Firebaugh, California 93622, Attention: City Manager 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 Hilltop Securities Inc., 2533 S. Coast Highway 101, Suite 250, Cardiff, California 92007, Attention: Todd Smith.

9. **Parties of Interest; Survival of Representations and Warranties.** This Bond Purchase Agreement is made solely for the benefit of the City and the Underwriter, and no other person shall acquire or have any right hereunder or by virtue hereof. All of the City's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect regardless of (i) any investigations made by or on behalf of the Underwriter, (ii) delivery of any payment for the Bonds pursuant to this Bond Purchase Agreement, and (iii) any termination of this Bond Purchase Agreement.

10. **Effective Date.** This Bond Purchase Agreement shall become effective upon the execution of the acceptance hereof by the City, and shall be valid and enforceable as of the time of such acceptance.

11. **Applicable Law.** This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed within such State.

12. ***Execution in Counterparts.*** This Bond Purchase 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 document.

Very truly yours,

**HILLTOP SECURITIES INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted as of the date first above mentioned:

**CITY OF FIREBAUGH**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_, 2016  
Time: \_\_\_\_\_ p.m.

## APPENDIX A

### MATURITIES, AMOUNTS AND INTEREST RATES

Maturity (June 1)	Principal Amount	Interest Rate	Yield
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