

STAFF REPORT

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: ROBERT PERRAULT, CITY MANAGER

SUBJECT AMENDMENT TO THE AGREEMENT BETWEEN THE SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT AND THE CITY OF GROVER BEACH FOR WATER SUPPLY AND A DISCLOSURE AGREEMENT FOR FINANCING PURPOSES

BACKGROUND

The County of San Luis Obispo manages and operates the San Luis Obispo County Flood Control and Water Conservation District ("District"). The City originally entered into a water supply contract in 1966 to receive water from the Lopez Lake facility, which is owned by the District. The contract was amended in September 2000 to provide for the City's pro rata participation in the financing of improvements for the remediation of the Lopez Lake facility. Bonds were subsequently issued in the principal amount of \$28,905,000 to construct the improvements. According to the bond documents, 46% of the debt is to be paid through property taxes and the remaining 54% is to be paid by the participating agencies, including Grover Beach. Due to current favorable market conditions, the County is requesting the agencies participate in the refinancing of the bond issue. Should the refinancing be successful, the City can expect debt service payments associated with the bond issue to be *reduced* by approximately \$10,000 to \$12,000 per year. Staff is recommending that the Council adopt the attached Resolution authorizing an amendment to the Water Supply Agreement and a Continuing Disclosure Agreement in order to permit the District to refinance the bonds.

DISCUSSION

In 1966 the City of Grover Beach entered into an agreement for water supply with the District. Other participating agencies or subcontracting agencies included the Cities of Arroyo Grande and Pismo Beach, the Oceano Community Service District, and Community Service Area 12. All of the subcontracting agencies also participated in the 2000 Bond issue amounting to \$28,905,000.

As noted, the County is requesting the City to participate in refinancing the bond issue. The weighted average interest rate on the original debt is 5.2% and, given the current favorable market, the new interest rate is expected to be 4%. Current estimates by the County of San Luis Obispo show gross savings of \$3.1 million. The bonds would be paid off over a 20-year period. In the City's FY 11 Budget, \$122,000 of the total contractual obligation for Lopez Lake is associated with the repayment of the 2000 Bond issue. It is expected that this amount would be

APPROVED FOR FORWARDING



**ROBERT PERRAULT
CITY MANAGER**

Please Review for the Possibility of a Potential Conflict of Interest:

- | | |
|--|-----------------------------------|
| <input checked="" type="checkbox"/> None Identified by Staff | <input type="checkbox"/> Bright |
| <input type="checkbox"/> Shoals | <input type="checkbox"/> Peterson |
| <input type="checkbox"/> Nicolls | <input type="checkbox"/> Mires |

Meeting Date: November 15, 2010

Agenda Item No. 10

reduced by approximately 9% over the 20-year period. The reduction is expected to save ratepayers approximately \$10,000 per year or \$200,000 over the pay-back period. Additionally, Grover Beach property owners would also see a slight reduction in property tax assessments.

In order to refinance the bonds, each participating agency must approve a contract amendment and a Continuing Disclosure Agreement (*please see Attachment 3*). The Disclosure Agreement obligates the City to provide certain financial and operational reports on an annual basis. The District (County of San Luis Obispo) will then sell the refunding bonds in December 2010. The savings will commence on February 1, 2011.

ALTERNATIVES

The City Council has the following alternatives to consider:

1. The Council could adopt the attached resolution approving an amendment to the Water Supply Contract with the San Luis Obispo County Flood Control and Water Conservation District and a Continuing Disclosure Agreement;
2. Take no action on the Resolution; or
3. Provide alternative direction to staff.

RECOMMENDED ACTION

It is recommended that the Council adopt the Resolution authorizing the amendment to the water supply contract between the City and the San Luis Obispo County Flood Control and Conservation District and a Continuing Disclosure Agreement for water supply.

FISCAL IMPACT

It is projected that the proposed refinancing will result in a savings of approximately \$10,000 per year to the City's Water Fund. Grover Beach property owners should also realize a slight reduction in property tax assessments.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. Resolution Approving the Amendment to the Water Supply Contract with the San Luis Obispo County Flood Control and Water Conservation District.
2. Amendment to the Agreement
3. Participating Agency Continuing Disclosure Document

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH,
CALIFORNIA, APPROVING AN AMENDMENT TO THE WATER SUPPLY
CONTRACT WITH THE SAN LUIS OBISPO COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT**

WHEREAS, the City Council of the City of Grover Beach ("the City Council") executed and delivered a form of Contract between the San Luis Obispo County Flood Control and Water Conservation District ("the District") and the City of Grover Beach ("the Agency"), effective September 1, 2000 (the "Existing Contract"), respecting the water provided through the District's Lopez Dam facility, including its appurtenances (collectively, referred to as "the Facility"); and

WHEREAS, the Agency originally entered into a contract for a water supply with the District on April 11, 1966 ("the Prior Supply Contract"), which contract was first amended and restated in the form of the Existing Contract; and

WHEREAS, the Agency has heretofore purchased water from the Facility for its water enterprise, pursuant to the terms of the Existing Contract; and

WHEREAS, circumstances in the financial markets will now permit the refinancing of the Facility on terms beneficial to the ratepayers and taxpayers of the Agency; and

WHEREAS, in order to implement the refinancing, it is necessary to amend the Existing Contract in certain respects; and

WHEREAS, there has been presented to the City Council a form of Amendment No. 2 to the Existing Contract (the "Amended Contract") which will authorize the foregoing refinancing; and

WHEREAS, there has been presented to the City Council a form of Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with respect to said refinancing; and

WHEREAS, the Agency now wishes to ensure the availability of water from the Facility on the most favorable possible terms and, to that end, wishes to approve the terms of the Amended Contract and to authorize its execution;

NOW, THEREFORE, the City Council does hereby resolve and determine as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. The terms and provisions of the Amended Contract, as presented to and reviewed at this meeting of the City Council, are hereby approved, and the Mayor is hereby authorized and directed to execute the Contract in the name of and on behalf of the Agency, in substantially the form presented to and approved at this meeting of the City Council.

Section 3. In connection with the refinancing of the Facility, the Agency understands and agrees that delivery of revenue bonds ("the Bonds") by the SLO County Financing Authority intended to effect the refinancing will be conditioned both upon (a) the delivery of the fully executed Amended Contract and the fully executed amended existing water supply contracts of the other participating agencies in the Facility and (b) a showing that the refinancing will result in savings to the Agency in the amount of not less than 5% of present value of the Agency's pro rata share of Installment Debt Service (as defined in the Existing Contract).

Section 4. The Agency understands and agrees that it has been obligated under the terms of the 2000 Tax-Exempt Obligations to provide certain annual information regarding its finances and operations to the municipal marketplace. In connection with the refinancing, the terms and provisions of the Continuing Disclosure Agreement, as presented to and reviewed at this meeting of the City Council, are hereby approved, and the Authorized Officer is hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement in the name and on behalf of the Agency, in substantially the form presented to and approved at this meeting of the City Council.

Section 5. This Resolution shall take effect immediately upon its adoption.

The foregoing Resoluiton was **PASSED, APPROVED** and **ADOPTED** at a regular meeting of the City Council of the City of Grover Beach, California, on Monday, November 15, 2010, on the following vote:

AYES:	Council Members -
NOES:	Council Members -
ABSENT:	Council Members -
ABSTAIN:	Council Members -

DRAFT

JOHN P. SHOALS, MAYOR

ATTEST:

DONNA L. McMAHON, CITY CLERK

**AMENDMENT NO. 2 TO CONTRACT BETWEEN SAN LUIS OBISPO COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT AND THE CITY OF
GROVER BEACH FOR A WATER SUPPLY**

This Amendment No. 2 to the Contract between San Luis Obispo County Flood Control and Water Conservation District ("the District") and the City of Grover Beach ("the Agency"), for a Water Supply ("Amendment No. 2") is entered into by and between the District, duly established and existing under the San Luis Obispo County Flood Control and Water Conservation Act (Act 7205 of the Uncodified Acts of the California Water Code), and the Agency, a municipal corporation, as of the Effective Date identified below, and is undertaken with regard to the following facts:

RECITALS:

WHEREAS, the Agency originally entered into a contract with the District on April 11, 1966 ("the Prior Supply Contract") for the provision of a Water Supply for the use and benefit of the lands and inhabitants served by the Agency; and

WHEREAS, the District and the Agency amended and restated the Prior Supply Contract by execution of a contract for Water Supply effective September 19, 2000 ("the Existing Contract") making provision for the financing of seismic improvements to Lopez Dam (the "Project"), which provides a Water Supply to the Agency for the use and benefit of the lands and inhabitants served by the Agency; and

WHEREAS, the Existing Contract provides for the calculation of Agency Debt Service based upon the issuance of Tax-Exempt Obligations in the aggregate principal amount of \$28,905,000 of Lopez Dam Improvement Revenue Bonds, 2000 Series A (the "2000 Revenue Bonds") of the SLO County Financing Authority, a joint exercise of powers authority established under the laws of the State of California (the "Authority"), on August 15, 2000, which included \$13,200,000 in general obligation bonds of the District (the "2000 G.O. Bonds") and \$15,705,000 of Installment Purchase Agreement obligations (the "IPA"), which were pledged to the payment of the Revenue Bonds; and

WHEREAS, it now appears to the District and the Agency that conditions in the financial market place are appropriate for a cost-effective refunding of the Revenue Bonds, reducing the tax levy for the G.O. Bonds and the water rates pledged under the IPA, for the benefit of the taxpayers and ratepayers of the District and the Agency;

WHEREAS, certain amendments to the Existing Contract are necessary and appropriate in order to reflect the foregoing; and

WHEREAS, in compliance with Article 23 of the Existing Contract, all Other Agencies (as defined therein) are also being provided with an Amendment No. 2 (each, an "Other Amendment No. 2"), all of which shall be executed by the respective Other Agencies as a condition to the effectiveness hereof; and

WHEREAS, in compliance with said Article 23, it shall also be necessary as a condition to the effectiveness hereof that the Rating Agencies confirm their ratings with respect to the Tax-Exempt Obligations (as defined in the Existing Contract):

NOW, THEREFORE, be it agreed and understood by the parties hereto as follows:

Section 1. Recitals; Defined Terms. The foregoing recitals are true and correct. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Existing Contract.

Section 2. Replaced and Additional Definitions. (a) The definitions of the following terms shall replace the definitions of the same terms within Article 1 of the Existing Contract.

“General Obligation Bonds” shall mean those certain general obligation bonds of the District, issued pursuant to authorization received from voters of the District at the election conducted on March 7, 2000, in an aggregate principal amount of not to exceed \$13,200,000, supported by a levy of *ad valorem* taxes throughout the District, including any general obligation bonds issued to refund the 2000 G.O. Bonds.

“Tax-Exempt Obligations” shall mean those certain obligations executed and delivered by or on behalf of the District, representing and evidencing interests of the owners thereof in certain installment payments to be made by the District for the acquisition of the Project, whose proceeds are to be used to finance, refinance or reimburse the costs of the Seismic Remediation improvements, in an aggregate principal amount of not to exceed the net amount, following the application of proceeds of sale of the General Obligation Bonds required to complete the Seismic Remediation Improvements pursuant to State mandate and the District’s competitive bid process for such Improvements. The term “Tax-Exempt Obligations” shall also include any refunding bonds issued in order to refund such Tax-Exempt Obligations.

(b) The following defined term shall be added to Article 1 of the Existing Contract.

“Refunding Bonds” shall mean those certain bonds executed and delivered by or on behalf of the District, refunding any General Obligation Bonds and/or Tax-Exempt Obligations of the District (together, the “Prior Obligations”), the proceeds of which are applied: (i) to refinance or retire the Prior Obligations of the District and (ii) to any costs of issuance in connection therewith.

Section 3. Concurrence with Refunding. The Agency concurs with the recommendation of the District to effect a refunding of the Tax-Exempt Obligations and the G.O. Bonds issued in connection with the Prior Revenue Bonds and agrees to take all appropriate action in support of the issuance of the Refunding Bonds, as recommended by the District, its Bond Counsel, being Fulbright & Jaworski L.L.P., and its Financial Advisor, being Public Financial Management. In particular, the Agency understands and agrees that it will have incurred additional continuing disclosure obligations with respect to the Refunding Bonds, as more particularly described in the Continuing Disclosure Agreement to be executed in connection with the Refunding Bonds, pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

Section 4. Agency's Obligations, re: Advance from District. In the event that Agency is unable to meet its obligation to provide certain financial and operating data relating to such Agency, and is therefore unable to meet all acts, conditions and things required by law to be done or performed in strict conformity with the laws authorizing the issuance of general obligation refunding bonds, then the District may provide an amount (the "Advance") necessary to effectuate a refunding of the installment purchase portion of the original Tax-Exempt Obligations attributable to the Agency (the "Agency's Installment Purchase Obligation") on the scheduled closing date for the refunding bonds. Such an Advance by the District shall be considered a loan to the Agency, and the Agency shall thereafter be obligated to continue to make payments to the District in accordance with the original Agency Debt Service schedule related to the Agency's Installment Purchase Obligation as though the Original Tax-Exempt Obligation had never been refunded until such time as the Advance, plus interest accrued thereon at the interest rate applicable to the original tax-exempt obligations, shall be repaid to the District in full.

Section 5. Governing Law. This Amendment No. 2 shall be governed by the provisions of the laws of the State of California applicable to contracts made and performed in such State.

Sections 6. Counterparts; Entire Contract. This Amendment No. 2 may be executed in counterparts, each of which shall, together, constitute an entire document. Furthermore, following the Effective Date defined below, the Existing Contract, as amended by this Amendment No. 2, shall constitute the full and complete Water Delivery Entitlement Contract of the Participant.

Section 7. Effective Date. This Amendment No. 2 shall become effective as of the last date upon which the District, the Agency, and the Other Agencies shall execute this Amendment No. 2 or one of the Other Amendment No. 2's, in accordance with Article 32 of the Contract (the "Effective Date").

Section 8. Ratification. In all other respects, the provisions of the Existing Contract are confirmed and ratified.

IN WITNESS WHEREOF, the parties have each executed this Amendment No. 2 by their duly authorized representatives as of the first date set forth above:

CITY OF GROVER BEACH

By _____
Authorized Representative

Date _____

DRAFT

**APPROVED AS TO FORM:
[PARTICIPANT ATTORNEY]**

**ATTEST:
[PARTICIPANT CLERK]**

By _____

By _____

**SAN LUIS OBISPO COUNTY FLOOD
CONTROL AND WATER CONSERVATION
DISTRICT**

By _____
Chairperson, Board of Supervisors

Date _____

**APPROVED AS TO FORM:
COUNTY COUNSEL:**

By _____
Deputy County Counsel

Date _____

**ATTEST:
JULIE L. RODEWALD, COUNTY CLERK**

By _____
Deputy County Clerk

Date _____

**PARTICIPATING AGENCY
CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of December 1, 2010, is executed and delivered by the City of Grover Beach (the "Participating Agency"), the San Luis Obispo County Flood Control and Water Conservation District (the "District") on behalf of the SLO County Financing Authority (the "Authority") and U.S. Bank Trust National Association, as trustee (the "Trustee") in connection with the execution and delivery of \$_____ aggregate principal amount of SLO County Financing Authority Lopez Dam Improvement Revenue Bonds, 2010 Series A (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of December 1, 2010 (the "Indenture"), by and between the Authority and the Trustee. The Participating Agency covenants and agrees as follows:

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

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

"Annual Disclosure Report" shall mean any Annual Disclosure Report provided by the Participating Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

"Disclosure Representative" shall mean the [_____] of the Participating Agency or such other official as may be designated in writing to the Dissemination Agent (if other than the Participating Agency) from time to time.

"Dissemination Agent" shall mean U.S. Bank Trust National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Participating Agency and which has filed with the Participating Agency a written acceptance of such designation.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

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

“Rule” shall mean Rule 1 5c2- 1 2(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Disclosure Reports.

(a) The Participating Agency shall, not later than February 15 of each year, commencing with February 15, 2011, provide to the Dissemination Agent an Annual Disclosure Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Disclosure Report shall be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in the Disclosure Agreement; *provided* that the audited financial statements of the Participating Agency may be submitted separately from the balance of the Annual Disclosure Report, and later than the date required above for the filing of the Annual Disclosure Report if they are not available by that date. If the fiscal year of the Participating Agency changes, it shall give notice of such change in the same manner as for a Listed Event under Section 4 this Disclosure Agreement.

(b) The Participating Agency shall provide, or cause the preparer of the Annual Disclosure Report to provide, a written certificate with each Annual Disclosure Report furnished to the Dissemination Agent to the effect that such Annual Disclosure Report constitutes the Annual Disclosure Report required to be furnished under the Disclosure Agreement. The Dissemination Agent may conclusively rely upon such certification and shall have no duty or obligation to review such Annual Disclosure Report.

(c) Not later than February 16 of each year, commencing February 16, 2011, the Dissemination Agent shall provide written notice the District confirming whether or not such Annual Disclosure Report has been furnished to the Dissemination Agent by the Participating Agency. The District shall use its best efforts to assist the Participating Agency in preparing the Annual Disclosure Report for delivery to the Dissemination Agent no later than March 10 of each year.

(d) If the Participating Agency is unable to provide the Annual Disclosure Report to the Dissemination Agency by March 10 of each year commencing March 10, 2011, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(e) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Disclosure Report the name and address of each National Repository and the State Repository, if any; and
- (ii) to the extent information is known to it, file a report with the Participating Agency certifying that the Annual Disclosure Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

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

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

statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Disclosure Report when they become available.

- (b) Changes in the service area and customer base for its Water Enterprise;
- (c) Five largest customers of the Water Enterprise;
- (d) Statement of connections and sales revenues for its Water Enterprise;
- (e) Water tax and impact fee revenues for its Water Enterprise;
- (f) Water deliveries for the Water Enterprise; and
- (g) Rates and Charges for water deliveries for the fiscal year most recently concluded.

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

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

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

The initial Dissemination Agent shall be the U.S. Bank Trust National Association.

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of a nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

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

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

SECTION 9. Default. In the event of a failure of the Participating Agency to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds and upon receipt of indemnity satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Participating Agency to comply with its obligations under this Disclosure Agreement. Failure by the Participating Agency to comply with any provision of this Disclosure Agreement shall not be deemed an Event of Default under the indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Participating Agency to comply with the terms of this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Participating Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Participating Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Participating Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 11. Notices. Any notices or communications to the Participating Agency or the District may be given as follows:

Participating Agency:

Attention: _____

Phone: _____

District:

San Luis Obispo Flood Control and Water Conservation District

County Government Center Room 207

San Luis Obispo, CA 93408

Attention: Public Works Director

Phone: 805-781-5252

Dissemination Agent:

U.S. Bank Trust National Association

633 W. Fifth Street, 24th Floor

Los Angeles, CA 90071

Attention: _____

Phone: 213-615-_____

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

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

PARTICIPATING AGENCY

By: _____
[Title of Signing Officer]

DRAFT

AGREED AND ACCEPTED:

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Officer

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT

By: _____
Chairman

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL DISCLOSURE REPORT

Name of Obligated Party: Participating Agency
Name of Bonds: SLO County Financing Authority Lopez Dam Improvement Revenue Bonds 2000 Series A
Date of Delivery: December __, 2010

NOTICE IS HEREBY GIVEN that the Participating Agency has not provided an Annual Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of December 1, 2010, with respect to the Bonds. [The Participating Agency anticipates that the Annual Disclosure Report will be filed by _____.]

Dated: _____

PARTICIPATING AGENCY

By: _____

cc: Participating Agency
District