

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2017**

**NEW ISSUE-BOOK-ENTRY ONLY**

**Ratings: S&P: "\_\_\_"**  
(See "RATINGS" herein.)

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest component of Base Rental Payments paid by the County under the Lease and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Certificates, or the amount, accrual or receipt of the interest portion of the Base Rental Payments. See "TAX MATTERS" herein.*

**\$[Principal Amount]  
COUNTY OF SOLANO  
SERIES 2017 REFUNDING CERTIFICATES OF PARTICIPATION**

Dated: Date of Delivery

Maturity: November 1, as shown below

The County of Solano Series 2017 Refunding Certificates of Participation (the "Certificates") are being executed and delivered pursuant to a Trust Agreement dated as of September 1, 2017 by and among the County of Solano (the "County"), the Solano County Facilities Corporation, Inc. (the "Corporation") and MUFG Union Bank, N.A., as trustee (the "Trustee"). The Certificates are being issued to: (i) current refund in full the outstanding County of Solano 2007 Refunding Certificates of Participation (the "2007 Certificates"), the proceeds of which were used to refund a portion of the outstanding County of Solano 2002 Certificates of Participation, and (ii) pay certain expenses of the financing. See "PLAN OF REFUNDING" herein.

The Certificates evidence proportionate interests in certain Base Rental Payments (the "Base Rental Payments") to be made by the County under the Lease (as described herein) to be entered into by the County and the Corporation, pursuant to which the Corporation, as lessor, has agreed to lease to the County, as lessee, the Leased Property (as defined herein). The County has covenanted under the Lease that, so long as the Leased Property is available for the County's use, it will take such action as may be necessary to include the Base Rental Payments and Additional Payments due under the Lease in its annual budget and to make the necessary annual appropriations therefor. See "SECURITY FOR THE CERTIFICATES – Appropriations Covenant" herein. The Base Rental Payments are subject to abatement under certain circumstances as described herein. See "RISK FACTORS FOR THE CERTIFICATES – Abatement" herein.

The Certificates will be delivered as fully registered certificates in book-entry form only, initially registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Certificates will be in the denomination of \$5,000 each or any integral multiple thereof. Interest due with respect to the Certificates is payable semiannually on May 1 and November 1, commencing [November 1, 2017]. Interest and principal with respect to the Certificates shall be payable by the Trustee to DTC. DTC is obligated to remit such principal and interest to its Participants for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – General Provisions" and Appendix E – "DTC AND THE BOOK-ENTRY SYSTEM" herein. The Certificates are not supported by a reserve fund.

The Certificates are subject to extraordinary prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment" herein.

**THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS OR ADDITIONAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS OR ADDITIONAL PAYMENTS CONSTITUTES A DEBT OF THE COUNTY, THE CORPORATION, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Certificates.

**Maturity Schedule**

<b>Certificate</b>	<b>Certificate</b>
<b>Payment Date</b>	<b>Payment Date</b>
<b>(November 1)</b>	<b>(November 1)</b>
<b>Principal Amount</b>	<b>Principal Amount</b>
<b>Interest Rate</b>	<b>Interest Rate</b>
<b>Yield</b>	<b>Yield</b>
<b>CUSIP No.<sup>†</sup> (____)</b>	<b>CUSIP No.<sup>†</sup> (____)</b>

The Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, and certain other conditions. Certain legal matters will be passed upon for the County by Hawkins Delafield & Wood LLP, Disclosure Counsel. Certain legal matters will be passed upon for the County by County Counsel. Certain legal matters will be passed upon for the Underwriter by Schiff Hardin LLP, Underwriter's Counsel. It is anticipated that the Certificates will be available for delivery through the facilities of DTC in New York, New York, on or about [Closing Date], 2017.

**Raymond James**

Dated: \_\_\_\_\_, 2017

<sup>†</sup> Copyright, 2017, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the American Banks Association by S&P Global Market Intelligence. CUSIP data herein are set forth herein for convenience of reference only and are not intended to create a database or serve in any way as a substitute for CUSIP Global Services. None of the County, the Corporation or the Underwriter assumes responsibility for the accuracy of such information.

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

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Corporation or the County since the date hereof.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the County's forecasts in any way, regardless of the level of optimism communicated in the information. The County is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See "CONTINUING DISCLOSURE OBLIGATION" herein.

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

The Certificates have not been registered under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such Act. The Trust Agreement has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such Act.

In connection with this offering the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The County maintains a website. Unless specifically indicated otherwise, the information presented on that website is not incorporated by reference as part of this Official Statement.

## COUNTY OF SOLANO, CALIFORNIA

### BOARD OF SUPERVISORS

John M. Vasquez, Chair <i>District 4</i>	Monica Brown <i>District 2</i>
Erin Hannigan, Vice-Chair <i>District 1</i>	Skip Thomson <i>District 5</i>
James P. Spering <i>District 3</i>	

### COUNTY OFFICIALS

Charles Lomeli <i>Treasurer/Tax Collector/County Clerk</i>	Birgitta E. Corsello <i>County Administrator</i>
Simona Padilla-Scholtens <i>Auditor-Controller</i>	Dennis Bunting <i>County Counsel</i>

### SOLANO COUNTY FACILITIES CORPORATION, INC.

#### Board of Directors

President	John M. Vasquez
Vice President	Erin Hannigan
Director	Monica Brown
Director	James P. Spering
Director	Skip Thomson
Secretary	Birgitta E. Corsello
Chief Financial Officer	Simona Padilla-Scholtens

**MUNICIPAL ADVISOR**  
PFM Financial Advisors LLC  
San Francisco, California

**SPECIAL COUNSEL**  
Orrick, Herrington & Sutcliffe LLP  
San Francisco, California

**DISCLOSURE COUNSEL**  
Hawkins Delafield & Wood LLP  
San Francisco, California

**TRUSTEE**  
MUFG Union Bank, N.A.  
San Francisco, California

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**OFFICIAL STATEMENT**  
**\$[Principal Amount]**  
**COUNTY OF SOLANO**  
**SERIES 2017 REFUNDING CERTIFICATES OF PARTICIPATION**

**INTRODUCTION**

**General**

The purpose of this Official Statement, which includes the cover page, table of contents and appendices included herewith (the "Official Statement"), is to provide certain information concerning the sale and delivery of The County of Solano Series 2017 Refunding Certificates of Participation (the "Certificates") in the aggregate principal amount of \$[Principal Amount], representing proportionate interests of the registered owners thereof (the "Owners") in certain lease payments (the "Base Rental Payments") to be made by the County of Solano (the "County"). Base Rental Payments are to be made as rental in connection with the County's use of certain real property (the "Leased Property"). Under the Lease (defined herein), the County is obligated to pay Base Rental Payments to Solano County Facilities Corporation, Inc. (the "Corporation") for the occupancy and use of the Leased Property. The Leased Property generally consists of the Solano County Administration Center (the "Administration Center") and Parking Structure (the "Parking Structure") and the sites thereof (the "Site"). See "SECURITY FOR THE CERTIFICATES – The Leased Property" herein.

The Certificates are being issued to (i) current refund in full the outstanding County of Solano 2007 Refunding Certificates of Participation (the "2007 Certificates"), the proceeds of which were used to refund a portion of the outstanding County of Solano 2002 Certificates of Participation (the "2002 Certificates"), and (ii) pay certain expenses of the financing. The proceeds of the 2002 Certificates were used to finance certain capital improvements, including the construction of the Administration Center, the Parking Structure, a County probation facility, improvements to the County's central facility plant and library facilities and certain other improvements. See "PLAN OF REFUNDING " herein.

**The County**

The County lies in the northeast section of the nine-county San Francisco Bay Area. It is located approximately 35 miles northeast of San Francisco, and 35 miles southwest of Sacramento. The County covers 823 square miles, a majority of which lies in the fertile Sacramento Valley. It is bordered by Napa County to the northwest, Yolo County to the northeast, Sacramento County to the east and Contra Costa County to the south. As of January 1, 2017, the County's population was estimated by the State of California Department of Finance to be approximately 436,000. The County's 2016-2017 final adopted General Fund budget includes revenues of approximately \$\_\_\_\_\_ million. See Appendix A – "THE COUNTY OF SOLANO" attached hereto.

**The Corporation**

The Corporation was organized on June 7, 1994, as a nonprofit public benefit corporation to render assistance to the County in its acquisition of equipment, real property and improvements on behalf of the County. The Corporation is a separate legal entity from the County. It is governed by a

five-member Board of Directors appointed by the Board of Supervisors of the County. See "THE CORPORATION" herein.

## **Security for the Certificates**

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2017 (the "Trust Agreement"), by and among the County, the Corporation and MUFG Union Bank, N.A., as trustee (the "Trustee"). The Certificates represent the proportionate interests of the Owners in the Base Rental Payments to be made by the County as rental in connection with the County's use of the Leased Property. The County will lease the Leased Property to the Corporation pursuant to a Site Lease Agreement (Series 2017 Refunding Certificates of Participation), dated as of September 1, 2017 (the "Site Lease"), by and between the County and the Corporation, and the Corporation will lease the Leased Property back to the County pursuant to a Lease Agreement (Series 2017 Refunding Certificates of Participation), dated as of September 1, 2017 (the "Lease"), between the County and the Corporation.

Pursuant to the Assignment Agreement dated as of September 1, 2017 (the "Assignment Agreement") the Corporation has assigned to the Trustee, for the benefit of the respective Owners, its rights and remedies under the Lease and Site Lease, including its rights to amounts payable by the County under the Lease.

The County is obligated under the Lease to make Base Rental Payments for the use and occupancy of the Leased Property. The County has covenanted under the Lease that so long as the Leased Property is available for use it will take such action as may be necessary to include its Base Rental Payments and Additional Payments in its annual budgets, and to make the necessary annual appropriations therefor. See "SECURITY FOR THE CERTIFICATES – Appropriations Covenant" herein.

Under the Lease, during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property are subject to abatement to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Payments, in which case rental payments are required to be abated only by an amount equal to the difference. Any abatement of rental payments pursuant to the Lease will not be considered an event of default as defined under the Lease. See "RISK FACTORS FOR THE CERTIFICATES – Abatement" herein. Certain funds may be available to make rental payments under the Lease if there is an abatement. See "THE CERTIFICATES – Prepayment," "SECURITY FOR THE CERTIFICATES – Abatement" and "- Insurance" herein.

## **THE CERTIFICATES ARE NOT SUPPORTED BY A RESERVE FUND.**

**THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS OR ADDITIONAL PAYMENTS UNDER THE LEASE IS AN OBLIGATION PAYABLE FROM THE COUNTY'S GENERAL FUND AND ANY OTHER SOURCE OF FUNDS LEGALLY AVAILABLE TO THE COUNTY FOR THE PAYMENT OF BASE RENTAL PAYMENTS OR ADDITIONAL PAYMENTS. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS OR ADDITIONAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY**

FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS OR ADDITIONAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE COUNTY IS OBLIGATED TO PAY ONLY ITS BASE RENTAL PAYMENTS OR ADDITIONAL PAYMENTS UNDER THE LEASE.

For a discussion of certain considerations relevant to an investment in the Certificates, see "RISK FACTORS FOR THE CERTIFICATES" herein.

### **Continuing Disclosure**

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board, certain annual financial information and operating data and notices of certain events. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE OBLIGATION" herein and Appendix F – "FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto for a description of the specific nature of the annual report and notices of specified events and a summary description of the terms of the disclosure agreement pursuant to which such reports are to be made.

### **Reference to Original Documents**

The descriptions of the Certificates, the Lease, the Site Lease, the Assignment Agreement, the Trust Agreement and other documents described in this Official Statement do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the approved form of those documents, which documents are available at the principal corporate trust office of the Trustee in San Francisco, California. During the period of the offering of the Certificates, copies of such documents will also be available from Raymond James & Associates, Inc. See Appendix C – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto for the definitions of some of the terms used in the Lease, the Trust Agreement and this Official Statement and not otherwise defined.

All of the summaries of statutes, resolutions, opinions, agreements, financial and statistical data, and other related reports described in this Official Statement are made subject to the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is to such documents, copies of which are either publicly available or available for inspection by written request mailed to the County of Solano, Auditor-Controller's Office, 675 Texas Street, Suite 2800, Fairfield, California 94533.

### **PLAN OF REFUNDING**

The Certificates are being delivered to (i) current refund in full the outstanding 2007 Certificates, the proceeds of which were used to refund a portion of the outstanding 2002 Certificates of Participation, and (ii) pay certain expenses of the financing. The proceeds of the 2002 Certificates were used to finance certain capital improvements, including the construction of the Administration Center, the Parking Structure, a County probation facility, improvements to the County's central facility plant and library facilities and certain other improvements.

The proceeds of the Certificates that will be used to current refund in full the outstanding 2007 Certificates will be deposited into an escrow account with the Trustee (the “Refunding Escrow”), pursuant to an Escrow Agreement, dated as of September 1, 2017 (the “Escrow Agreement”). The Refunding Escrow will be held by the Trustee, as escrow agent, pursuant to an Escrow Agreement, dated as of September 1, 2017. A portion of the moneys deposited into the Refunding Escrow will be held invested in certain securities consisting of direct obligations of, or obligations, the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America in an amount sufficient to pay the principal of and interest on and the redemption price of the 2007 Certificates to be refunded, through the 2007 Certificates anticipated redemption date of November 1, 2017. Upon the deposit of such proceeds into the Refunding Escrow, the 2007 Certificates will no longer be deemed outstanding. The moneys in the Refunding Escrow will not be available to pay debt service on the Bonds.

The 2007 Certificates to be refunded are as follows:

PAR AMOUNT	CUSIP

## ESTIMATED SOURCES AND USES OF PROCEEDS

### SOURCES

Par Amount of Certificates	\$[Principal Amount]
Net Original Issue Premium	

### TOTAL PROCEEDS

### USES

Prepayment of 2007 Certificates
Costs of Delivery <sup>(1)</sup>

### TOTAL USES

(1) Includes legal fees, initial Trustee fees, Municipal Advisor fees, Underwriter's discount, printing costs, rating agency fees and other expenses. For information regarding the Underwriter's discount for the Certificates, see "UNDERWRITING" herein.

## THE CERTIFICATES

### General Provisions

The Certificates will be dated the date of delivery and will represent interest from the date of delivery at the rates per annum set forth on the cover page hereof with respect to the Certificates, payable semiannually on May 1 and November 1 of each year, commencing [November 1, 2017] (each, an "Interest Payment Date"), and will have Certificate Payments Dates on November 1 in each of the designated years in the amounts shown in the schedule on the cover page hereof.

The Certificates will be executed and delivered in fully registered form without coupons, in denominations of \$5,000 each or any integral multiple thereof. Principal and premium, if any, with respect to the Certificates will be payable at the principal corporate trust office of the Trustee. The interest represented by the Certificates will be payable in like lawful money to the person whose name appears on the Certificate registration books of the Trustee as the Owner thereof as of the close of business on the fifteenth day of the month preceding each Interest Payment Date, whether or not such day is a business day, such interest to be paid by check mailed by first class mail on the date such interest is due to such Owner at such address as appears on such registration books. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for the Certificates, in the aggregate principal amount of the Certificates, and will be deposited with DTC. For more information regarding DTC and the book-entry only system, see Appendix E – "DTC AND THE BOOK-ENTRY SYSTEM" attached hereto.

### Prepayment

**[Optional Redemption.]** The Certificates payable with respect to principal on or after November 1, 20\_\_, shall be subject to prepayment on any date on or after November 1, 20\_\_, at the option of the County, as a whole, or in part, among such Certificate Payment Dates as the County may determine, or, if so specified, in

inverse order of Certificate Payment Dates, from any source of available funds, at a prepayment price equal to 100% of the principal amount thereof, plus accrued interest represented thereby to the date fixed for prepayment, without premium.]

***Extraordinary Prepayment Due to Casualty, Loss or Defect in Title of Leased Property.***

The Certificates are subject to prepayment on any date prior to their respective Certificate Payment Dates, as a whole, or in part by lot within each Certificate Payment Date so that the aggregate annual amounts of principal represented by the Certificates which will be payable after such prepayment date will correspond to the principal component of the reduced Base Rental resulting from a casualty loss or governmental taking or defect in title of the Site and the Leased Property or portions thereof, from prepaid Base Rental Payments made by the County from funds received by the County due to such casualty loss or governmental taking or defect in title, if such amounts are not used to repair or replace the Site and the Leased Property in accordance with the provisions of the Lease, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Lease, at a prepayment price equal to the sum of the principal amount represented plus accrued interest represented thereby to the date fixed for prepayment, without premium.

***Effect of Prepayment.*** If notice of prepayment has been duly given as provided below and moneys for the payment of the prepayment price on the Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice the Certificates so called for prepayment will become payable at the prepayment price specified in such notice; and from and after the date so designated interest represented by the Certificates so called for prepayment will cease to accrue, such Certificates will cease to be entitled to any benefit or security under the Trust Agreement and the Owners of such Certificates will have no rights in respect thereof except to receive payment of the prepayment price represented thereby.

***Notice of Prepayment.*** Notice of prepayment will be mailed, first class postage prepaid, to the respective Owners of any Certificates designated for prepayment at their addresses appearing on the books required to be kept by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the date fixed for prepayment. Each notice of prepayment will state the date fixed for prepayment, the prepayment price and will designate the serial numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment, and will require that such Certificates be then surrendered for prepayment; and will also state that the interest represented by the Certificates designated for prepayment will cease to accrue from and after such date fixed for prepayment and that on such date there will become due and payable on each of the Certificates designated for prepayment the prepayment price represented thereby. Such notice will, in addition to setting forth the above information, in the case of each Certificate called for prepayment in part only state the amount of the principal amount represented thereby which is to be prepaid. Any notice mailed as provided herein will be conclusively presumed to have been given, whether or not such Owner receives the notice.

At any time prior to one day before the date fixed for prepayment of any Certificates, the Trustee may rescind the notice of prepayment, upon prior written notice to the Trustee from the Corporation in accordance with the Trust Agreement.

## SECURITY FOR THE CERTIFICATES

### General

Each Certificate represents an undivided proportionate interest in the Base Rental Payments to be made by the County under the Lease. The Corporation, pursuant to the Assignment Agreement, will absolutely and unconditionally assign its rights and remedies under the Lease and Site Lease to the Trustee for the benefit of the Owners of the Certificates, including its right to receive Base Rental Payments thereunder. Principal and interest due with respect to the Certificates will be made from the Base Rental Payments payable by County for the use and possession of the Leased Property, insurance or condemnation Net Proceeds pertaining to the Leased Property, interest or other income derived from the investment of the funds and accounts held by the Trustee for the County pursuant to the Trust Agreement.

The County has covenanted under the Lease to make Base Rental Payments for the use and possession of the Leased Property and so long as the Leased Property is available for the County's use, to take such action each year as may be necessary to include all Base Rental Payments and Additional Payments in its annual budget and annually to appropriate an amount necessary to make such Base Rental Payments and Additional Payments. The amounts payable to the Trustee are to be used to make the payments of principal and interest due with respect to the Certificates. Base Rental Payments are required to be deposited in the Interest Fund, Principal Fund or the Prepayment Fund maintained by the Trustee. On each Certificate Payment and Interest Payment Date, the Trustee will withdraw from the appropriate account the aggregate amount of the Base Rental Payments and will apply such amounts to make principal and interest payments due with respect to the Certificates. **UNDER CALIFORNIA LAW, EVEN THOUGH THE LEASE BECOMES EFFECTIVE AS OF THE DATE OF THE LEASE, THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS MAY BE ABATED PRO RATA IF THE FULL USE AND POSSESSION OF THE LEASED PROPERTY IS NOT AVAILABLE TO THE COUNTY.**

The obligation of the County to make Base Rental Payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation. Neither the Certificates nor the obligation of the County to make Base Rental Payments constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of the Constitution of the State of California or otherwise a pledge of the faith and credit of the County. See "RISK FACTORS FOR THE CERTIFICATES" herein.

The Certificates are not supported by a reserve fund.

### The Leased Property

Under the Lease, the County is obligated to pay Base Rental Payments to the Corporation for the occupancy and use of the Leased Property. The Leased Property consists of the Administration Center and Parking Structure described further below.

***Solano County Administration Center and Parking Structure.*** The six-story Administration Center was completed in July 2005 and is approximately 300,000 gross square feet. The Administration Center is located in downtown Fairfield between Texas and Delaware Streets and Union and Jefferson Streets. The Administration Center houses the core functions of the County, including more than 800 employees from the following 17 departments: Board of Supervisors,

County Administrator, Assessor-Recorder, Auditor-Controller, Treasurer-Tax Collector/County Clerk, District Attorney, Public Defender, Alternate Public Defender, Human Resources, Risk Management, Veteran's Affairs, Resource Management, County Counsel, Registrar of Voters, General Services, Information Services and Transportation. As of \_\_\_\_\_, the Administration Center had an estimated value of \$\_\_\_\_\_.

The Parking Structure is an approximate 379,000 gross square foot, five-level parking structure located adjacent to the Administration Center and provides on-site parking for approximately 1,000 public, employee and County fleet vehicles. The Parking Garage was completed in July 2005. As of \_\_\_\_\_, the Parking Structure had an estimated value of \$\_\_\_\_\_.

A portion of the proceeds of the 2002 Certificates financed the construction of the Administration Center and Parking Structure. See "PLAN OF REFUNDING" herein.

### **Abatement**

Under the Lease, except to the extent of (a) amounts held by the Trustee in the Base Rental Payment Fund, (b) amounts received in respect of use and occupancy insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property are subject to abatement to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Payments, in which case rental payments are required to be abated only by an amount equal to the difference. Any abatement of rental payments pursuant to the Lease will not be considered an event of default as defined under the Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Lease by virtue of any such interference and the Lease will continue in full force and effect. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

### **Appropriations Covenant**

Under the Lease, the County covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due thereunder in its annual budgets, to make necessary annual appropriations for all such Base Rental Payments and Additional Payments and to take such action annually as may be necessary to provide funds in such year for such Base Rental Payments and Additional Payments. The County will deliver to the Corporation and the Trustee copies of the portion of each annual County budget relating to the payment of Base Rental Payments and Additional Payments within thirty (30) days after the filing or adoption thereof. The Lease provides that covenants on the part of the County thereunder will be deemed to be and will be construed to be duties imposed by law and that it will be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the County.

## **Insurance Requirements Under Lease**

***Fire and Extended Coverage Insurance; No Earthquake Insurance.*** Under the Lease, the County is required to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Lease, insurance from a Qualified Carrier, as defined under the Lease, against loss or damage to any structures constituting any part of the Leased Property by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance. Said extended coverage insurance is required to, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance is required to be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$10,000), or, in the alternative, is required to be in an amount and in a form sufficient, in the event of total or partial loss, to enable all Certificates then outstanding to be prepaid at par.

In the event of any damage to or destruction of any part of the Leased Property caused by the perils covered by such insurance, the Corporation, except as provided in the Lease, is required to cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the Trustee is required to hold said proceeds separate and apart from all other funds, in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds are required to be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. Any balance of said proceeds not required for such reconstruction or replacement is required to be treated by the Trustee as Base Rental Payments and applied in the manner described in the Trust Agreement. Alternatively, the Corporation, at its option, with the written consent of the County and of the Trustee, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount represented by outstanding Certificates, equal to the amount of outstanding Certificates attributable to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion which the acquisition and construction cost of such portion of the Leased Property bears to the acquisition and construction cost of the Leased Property), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon will cause said proceeds to be used for the prepayment of outstanding Certificates pursuant to the provisions of the Trust Agreement. See "THE CERTIFICATES – Prepayment" herein.

As an alternative to providing the property insurance described above, or any portion thereof, the County, with the written consent of the Corporation, may provide a self insurance method or plan of protection if and to the extent such self insurance method or plan of protection shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the County.

**THE COUNTY IS NOT REQUIRED TO OBTAIN EARTHQUAKE INSURANCE UNDER THE LEASE.**

***Liability Insurance.*** Under the Lease, the County is required to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Lease, a standard comprehensive general liability insurance policy or policies in protection of the Corporation and its members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Leased Property, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$1,250,000 for personal injury or deaths per event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$1,250,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the County. Such liability insurance may be subject to a deductible of no more than \$50,000; provided that the County shall maintain a separate fund in trust against payment of such deductibles which shall be reviewed at least every three years for actuarial soundness by an independent insurance consultant.

Under certain circumstances, the County may provide a self-insurance method or plan of protection in lieu of obtaining comprehensive general liability insurance.

***Rental Interruption or Use and Occupancy Insurance.*** Under the Lease, the County is required to procure or cause to be procured and maintain or cause to be maintained, rental interruption or use and occupancy insurance from a Qualified Carrier to cover partial loss of the rental, in an amount sufficient to pay the Base Rental Payments for a period of at least two successive years. Any proceeds of such insurance are required to be used by the Trustee to reimburse to the County any rental theretofore paid by the County under the Lease attributable to such structure for a period of two years during which the payment of rental under the Lease is abated, and any proceeds of such insurance not so used will be applied as provided in the Lease to the extent required for the payment of Base Rental and Additional Payments.

***Title Insurance.*** Under the Lease, the County is required to obtain title insurance on the Leased Property, in the form of a lender's leasehold title policy or policies, in an aggregate amount equal to the aggregate principal component of unpaid Base Rental Payments, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances naming the Trustee as insured thereunder.

"Permitted Encumbrances" is defined under the Trust Agreement as (1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Lease, permit to remain unpaid; (2) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Lease in the office of the County Recorder of Solano County and which the County certifies in writing will not materially impair the use of the Leased Property; (3) the Site Lease, as it may be amended from time to time; (4) the Lease, as it may be amended from time to time; (5) the Assignment Agreement, as it may be amended from time to time; (6) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (7) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease and to which the Corporation and the County consent in writing and which do not materially adversely affect the rights of owners of the Certificates; and (8) liens relating to special assessments levied with respect to the Leased Property.

***Worker's Compensation Insurance.*** Under the Lease, the County is required to maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in California, or any future act enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the County. Such insurance may be maintained by the County in the form of self-insurance with the prior written consent of the Corporation.

## **Substitution**

The Lease provides that the County and the Corporation may substitute real property for all or for part of the Leased Property for purposes of the Site Lease and the Lease, but only after the County has filed with the Corporation and the Trustee, with copies to each rating agency then providing a rating for the Certificates, all of the following: (a) executed copies of the Lease or amendments thereto containing the amended description of the Leased Property to reflect the Substitute Property; (b) a Certificate of the County with copies of the Lease or the Site Lease, if needed, or amendments thereto containing the amended description of the Leased Property to reflect the Substitute Property stating that such documents have been duly recorded in the official records of the County Recorder of the County of Solano; (c) a Certificate of the County, stating that the County intends to use and maintain the Substitute Property for at least the remaining term of the Certificates, and that the annual fair rental value of the Leased Property which will constitute the Leased Property after such substitution will be at least equal to the 100% of the maximum amount of Base Rental Payments becoming due in the then current year ending October 31 or in any subsequent year ending October 31 during the term of the Certificates; (d) either (i) a policy of title insurance in an amount equal to the principal amount of Certificates then Outstanding (or, if only part of the Leased Property will be substituted, in an amount equal to such proportion of the principal amount of the Certificates then Outstanding as the fair rental value of the Substitute Property bears to the fair rental value of the existing Facilities), naming the County as insured owner and showing good and marketable title to the Substitute Property, or (ii) a Certificate of the County stating that, based upon a Title Commitment, if available, the County has good and marketable title to the Substitute Property; (e) a Certificate of the County stating that such substitution does not adversely affect the County's use and occupancy of the Leased Property; and (f) an Opinion of Counsel stating that such substitution (i) complies with the terms of the Constitution and laws of the State and of the Trust Agreement and (ii) will not in and of itself cause the interest component of the Base Rental Payments to be included in gross income for federal income tax purposes.

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## SCHEDULE OF CERTIFICATE PAYMENTS

The following is a schedule of the payments due with respect to the Certificates:

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Annual Debt Service</u>
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**Total:** \_\_\_\_\_

[Remainder of page intentionally left blank.]

## THE COUNTY

Information with respect to the County, including financial information, a summary of County debt, the County Investment Pool and certain economic and demographic information relating to the County is provided in Appendix A – "THE COUNTY OF SOLANO" attached hereto. A copy of the financial statements of the County for the fiscal year ended June 30, 2016 is attached hereto as Appendix B and should be read in its entirety.

## THE CORPORATION

The Solano County Facilities Corporation, Inc., was incorporated on June 7, 1994 as a nonprofit public benefit corporation pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code). The Corporation's principal place of business is in the County of Solano. The Corporation is governed by a five-member Board of Directors approved by the County. Corporate Directors receive no compensation. The Corporation has no employees. All staff work is performed by the County.

The purpose of the Corporation is to provide financial assistance to the County by financing the acquisition, construction, improvement and remodeling of public buildings and facilities for the County, together with parking, site development, landscaping, utilities, equipment, furnishings, improvements and all appurtenant and related facilities.

## RISK FACTORS FOR THE CERTIFICATES

*The following risk factors associated with investing in Certificates, along with all other information in this Official Statement, should be considered by potential investors in evaluating an investment in the Certificates. The following list is not intended to be conclusive and no significance should be associated with the order of presentation of the risk factors.*

### No Tax Pledge

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

### Outstanding and Future Additional General Fund Obligations

The County is currently liable for approximately \$92.625 million outstanding principal amount of obligations as of June 30, 2017 payable from general revenues (not including the Certificates), and the Lease does not prohibit the County from incurring additional obligations payable from general revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased. See Appendix A – "THE COUNTY OF SOLANO – COUNTY FINANCES – Outstanding Payment Obligations" attached hereto. [The County has experienced increasing pensions costs in recent years.] See Appendix A –

"THE COUNTY OF SOLANO – COUNTY FINANCES – County Employee Benefit Plans" attached hereto.

## **Local Economy**

[to be updated]

From 2007 to 2009, the United States and California economy were in a recession. A major factor in this recession was a decline in real estate values. The national and California recession and decline in real estate values were experienced in the local County of Solano economy. The County unemployment rate as of \_\_\_\_\_ 2017 was \_\_\_ percent, compared to State and national rates of unemployment of \_\_\_ percent and \_\_\_ percent, respectively. See Appendix A attached hereto for additional information on the County of Solano economy.

Real estate market values declined during the last recession. One factor was that some homeowners have financed the purchase of their homes using "sub-prime loans" with features that may include little or no down payment and adjustable interest rates that are subject to being reset at higher rates on a specified date or on the occurrence of specified conditions. Some homeowners, including those within the County of Solano, who purchased their homes with sub-prime loans have experienced difficulty in meeting loan payments, leading to increased defaults and foreclosures. As a result of increasing defaults and foreclosures on sub-prime and other loans and other factors, real estate values declined and credit became more difficult and more expensive to obtain, not only in the residential market, but also in the commercial, retail and industrial sectors. Unavailability of loans for the purchase and development of real property in the County of Solano may continue to adversely impact assessed values.

The County's finances faced challenges in recent years from the various economic factors described above and other factors. High foreclosure rates and lower assessed values have adversely impacted the County's property tax revenues, the credit crisis has resulted in reduced income from the County's investments, sluggish retail sales have resulted in lower sales tax revenues, and the State budget crisis has resulted in reduced funding to local governments, including the County. [For Fiscal Year \_\_\_\_\_, the County Assessor reduced the assessed value on a significant number of residences in the County.] See Appendix A – "THE COUNTY OF SOLANO" attached hereto for additional information on the County's finances.

## **Abatement**

Under the Lease, except to the extent of (a) amounts held by the Trustee in the Base Rental Payment Fund, (b) amounts received in respect of use and occupancy insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property are subject to abatement to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Payments, in which case rental payments are required to be abated only by an amount equal to the difference. Any abatement of rental payments pursuant to the Lease will not be considered an event of default as defined under the Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Lease by virtue of

any such interference and the Lease will continue in full force and effect. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned, and if such abatement period lasts beyond the period of time funds are available from insurance policies or the Reserve Facility, Base Rental Payments may be insufficient to cover payments to Certificate holders.

### **Limitation on Enforcement of Remedies**

The enforcement of any remedies provided in the Lease and Trust Agreement could prove both expensive and time consuming. Although the Lease provides that the Corporation may take possession of the Leased Property then subject to the Lease and lease such Leased Property if there is a default by the County and the Lease further provides that the Corporation may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of such Leased Property may not be easily recoverable since they may be affixed to property not owned by the Corporation and even if recovered, could be of little value to others. Furthermore, due to the essential nature to the governmental functions of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto.

In the event of a default under the Lease, there is no available remedy of acceleration of the total Base Rental Payments due over the terms of the Lease. The County will only be liable for Base Rental Payments on an annual basis as they come due, and the Trustee would be required to seek separate judgments for the annual Base Rental Payments. In addition, any such suit for money damages could be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

### **Bankruptcy**

In addition to the limitations on remedies contained in the Trust Agreement and the Lease, the rights and remedies in the Trust Agreement and the Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in California.

The County is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the County. Third parties, however, cannot bring involuntary bankruptcy proceedings against the County. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Certificates may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making

payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an “Adjustment Plan”) for the adjustment of the County’s various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Certificates if the Bankruptcy Court finds that such Adjustment Plan is “fair and equitable” and in the best interests of creditors. The adjustment of similar obligations was litigated in federal court in connection with bankruptcy applications by the cities of San Bernardino and Stockton. The Adjustment Plans in these cities proposed significant reductions in the amounts payable by the cities under lease revenue obligations substantially similar to the Certificates. The County can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy. The County is not currently considering filing for protection under the Bankruptcy Code.

In addition, if the Lease was determined to constitute a “true lease” by the bankruptcy court (rather than a financing lease providing for the extension of credit), the County could choose to reject the Lease despite any provision therein that makes the bankruptcy or insolvency of the County an event of default thereunder. If the County rejects the Lease, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease and the County’s obligations to make payments thereunder. The County may also be permitted to assign the Lease (or the Site Lease) to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the County for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Certificates.

## **Risk Management and Insurance**

The Lease obligates the County to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. The County is also required to maintain rental interruption insurance to cover at least two years of loss of rental income under the Lease that is attributable to any portion of the Leased Property rendered unusable. The Project Lease allows the County to insure against some risks, excluding rental interruption, title defects and workers’ compensation, through an alternative risk management program such as self-insurance. The County makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest evidenced and represented by the Certificates when due.

[The County employs a full-time Risk Manager, as well as safety and loss control professionals, for the prevention and mitigation of property, liability and employee claims for injury or damage. For information concerning the self-insurance and risk management programs of the County see APPENDIX A.]

## **Changes in Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State of California resulting in a reduction of the funds legally available to County to make Base Rental Payments, and consequently, having an adverse effect on the security for the Certificates.

## **Earthquakes and Natural Disasters**

The obligation to pay Base Rental Payments may be adversely affected if the Leased Property is damaged or destroyed by natural hazard such as earthquake or flood. There are several faults in the area that potentially could result in damage to buildings, roads, bridges, and property within the County in the event of an earthquake. The Leased Property is also located in a FEMA-designated Special Flood Hazard Area and is designated as Zone AO. This designation means that the Leased Property is subject to shallow flooding every 100 years, with average depths of one foot.

The County is not obligated under the Lease to maintain flood or earthquake insurance on the Leased Property. [The Leased Property is currently not covered by earthquake insurance, but is covered by flood insurance. There can be no assurance that the County will continue to obtain flood insurance for the Leased Property in the future.] In the event of damage or destruction to the Leased Property caused by perils for which the County does not provide insurance and is not required to provide insurance under the Lease, the County will not be obligated to repair, replace or reconstruct the Leased Property. See "SECURITY FOR THE CERTIFICATES – Insurance" herein and Appendix C – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

Seismic events, wildfires, tsunamis, and other natural or man-made events such as terrorist attacks or cybersecurity breaches may damage County infrastructure, including but not limited to the Leased Property, and may adversely impact the County's ability to provide municipal services, or adversely impact the County's operations or finances.

In addition, Solano County and other areas surrounding the San Francisco Bay Area are at risk of flooding and water inundation. In June 2011 the County had a Sea Level Rise Strategic Program prepared by AECOM, projecting that the sea level may rise from 5 to 8 inches by 2030 and 10 to 17 inches by 2050. The County is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations and/or financial condition of the County and/or the local economy.

## **State Budget and Funding**

The County receives a significant portion of its funding from the State. The County's fiscal year 2016-17 budget resolution projects that approximately \$\_\_\_\_\_ million or \_\_\_\_\_% of the County's \$\_\_\_\_\_ billion General Fund revenues will come from State sources. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County. The County cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the outcome of

any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the County has no control.

The County cannot predict the extent of the budgetary problems the State will encounter in this or in any future fiscal years, and it is not clear what measures would be taken by the State to balance its budget, as required by law. Accordingly, the County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the County's finances and operations, or what actions will be taken in the future by the State legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and economic conditions and other factors over which the County has no control. For a discussion of the potential impact of State budget actions on the County, see Appendix A – "THE COUNTY OF SOLANO – COUNTY FINANCES – State Budget" attached hereto.

### **Federal Funding**

The County receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the County's assets are also invested in securities of the United States government. The County's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. The County cannot predict the outcome of future federal administrative actions, legislation or budget deliberations. See Appendix A – "THE COUNTY OF SOLANO – COUNTY FINANCES – State Budget" attached hereto.

## **CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES AND APPROPRIATIONS**

Described below are certain measures which have impacted or may in the future impact the County's General Fund Budget.

### **Article XIII A**

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed two percent per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100 percent of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100 percent of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, two percent annual value growth) will be allocated on the basis of "sites" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the one percent limit except for taxes to support indebtedness approved by the voters as described above.

## **Article XIII B**

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The County's appropriations limit for Fiscal Year 2015-2016 was \$\_\_\_\_\_ and amount subject to the limitation was \$\_\_\_\_\_. The County's appropriations limit for the Fiscal Year 2016-2017 was \$\_\_\_\_\_, and the amount shown in its budget for that year as the appropriations subject to limitation was \$\_\_\_\_\_. The County's appropriations limit for Fiscal Year 2016-2017 is \$\_\_\_\_\_ and the amount subject to limitation is \$\_\_\_\_\_.

The ability of the County to make Base Rental Payments may be affected if the County should exceed the appropriations limit.

### **Right to Vote on Taxes Initiative – Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of cities and counties to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's general fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the Board of Supervisors to raise revenues for the general fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements. In addition, Article XIII D contains new provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This definition applies to landscape and maintenance assessments for open space areas, street medians, street lights and parks.

In addition to the provisions described above, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's general fund.

In addition, Proposition 218 added several requirements making it generally more difficult for counties and other local agencies to levy and maintain assessments for municipal services and programs.

Finally, Proposition 218 requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general government purposes of the County require a majority vote and taxes for specific purposes only require a two-thirds vote. The voter approval requirements reduce the Board of Supervisor's flexibility to deal with fiscal problems by raising revenue and no assurance can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements.

The County is of the opinion that Proposition 218 will not materially impact any existing taxes, fees or assessments collected by the County. No revenues collected by the County have been challenged under Proposition 218.

## **Proposition 62**

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

The requirements imposed by Proposition 62 were upheld by the California Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220; 45 Cal. Rptr. 2d 207 (1995). In this case, the Court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1 percent, this special tax was found to be invalid.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In La Habra, the Court held that the public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The Court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The County is of the opinion that Proposition 62 will not materially impact any existing taxes, fees or assessments collected by the County. No revenues collected by the County have been challenged under Proposition 62.

### **Proposition 1A**

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable County revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the County.

### **Proposition 22**

Proposition 22 (“Proposition 22”) which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State’s authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district’s share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties.

Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

## **Proposition 26**

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII and XIII of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) 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 costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

## **Future Initiatives**

Article XIII A, Article XIII B, Proposition 62, Proposition 218 and the other Propositions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues.

## **LITIGATION**

There is no action, suit or proceeding known to be now pending or threatened against the Corporation or the County restraining or enjoining the sale, execution or delivery of the Certificates or the Lease, or in any way contesting or affecting the validity of the foregoing or an proceedings of the Corporation or the County taken with respect to any of the foregoing.

[In the opinion of legal counsel to the Corporation and the County, there is no action, suit proceeding known to be pending or threatened, restraining or enjoining the Corporation or the County in any way which would have a material adverse effect on the County's financial position or ability of the County to pay the Base Rental Payments.]

## **RATINGS**

S&P is expected to assign a rating of "—" to the Certificates. An explanation of the significance of the rating may be obtained from S&P. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by such rating agency, if in their respective judgments, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the interest portion of the Base Rental Payments paid by the County under the Lease and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that such interest portion is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current

earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Special Counsel is included in Appendix D hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Certificates. Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates are sold to the public.

Certificates 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 Certificates") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium for certificates, like Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and an Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Owner. Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable certificate premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that the interest portion of the Base Rental Payments will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in the interest portion on the Base Rental Payments being included in gross income for federal purposes, possibly from the date of execution and delivery of the Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel's attention after the date of execution and delivery of the Certificates may adversely affect the value of the Certificates or the tax status of the interest portion of the Base Rental Payments. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that the interest portion of the Base Rental Payments is excluded from gross income for federal income tax purposes and is exempt from State of

California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest with respect to, the Certificates may otherwise affect an Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Owner and the Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause the interest portion of the Base Rental Payments to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from State income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the interest portion of the Base Rental Payments for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to the Certificates ends with the execution and delivery of the Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the Owners regarding the tax-exempt status of the interest portion of the Base Rental Payments in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the County or the Owners to incur significant expense.

## **APPROVAL OF LEGALITY**

The validity of the Certificates and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, California, Special Counsel to the County. A complete copy of the proposed form of such opinion is contained in Appendix D hereto. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County by Hawkins Delafield & Wood LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Schiff Hardin LLP, Underwriter's Counsel. Certain legal matters will be passed upon for the County by County Counsel. The compensation of Special Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the Certificates.

## **CONTINUING DISCLOSURE OBLIGATION**

The County has covenanted in the Continuing Disclosure Agreement for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the County by not later than March 31 following the end of the fiscal year (currently their fiscal years end on June 30) (the "Annual Report"), commencing with the fiscal year ending June 30, 2017, and to provide notices of the occurrence of certain events.

The Annual Report and the notices of material events will be filed by the Dissemination Agent with the Municipal Securities Rulemaking Board (the "MSRB") or any other repository designated by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in Appendix F – "FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

In connection with the issuance of the 2004 POBs, the 2005 POBs, 2007 COPs and the 2009 COPs, the County covenanted to submit an annual report to the Electronic Municipal Market Access system ("EMMA") of the MSRB containing the County's audited financial statements and certain other financial information and operating data relating to the County (the "Annual Report"). For fiscal year 2012-13, the audited financial statements were filed six days late and the fiscal year 2011-12 audited financial statements were filed 37 days late, and supplemented later to add two missing CUSIP numbers.

The Annual Report for fiscal year 2013-14 was filed 323 days late and did not include two required tables. The Annual Report for fiscal year 2012-13 was filed 688 days late and did not include two required tables. The Annual Report for fiscal year 2011-12 was filed 688 days late and did not include two required tables. The missing tables described in this paragraph were subsequently posted on EMMA. [The County has engaged Digital Assurance Certification, Inc. ("DAC") to serve as dissemination agent for the County's annual reports.]

## **UNDERWRITING**

The Certificates are being purchased through negotiation by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at a price of \$\_\_\_\_\_ (computed as the par amount of the Certificates, plus a net original issue premium of \$\_\_\_\_\_, and less an Underwriter's discount of \$\_\_\_\_\_\_). The purchase agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreement, including the approval of certain legal matters by counsel and certain other conditions.

## **MUNICIPAL ADVISOR**

The County has retained PFM Financial Advisors LLC, San Francisco, California as municipal advisor (the "Municipal Advisor") in connection with the delivery of the Certificates. PFM Financial Advisors LLC is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **MISCELLANEOUS**

The foregoing summaries do not purport to be complete and are expressly made subject to the provisions of the documents, copies of which may be obtained from the Trustee, or during the period of the offering, the Underwriter.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement does not constitute an agreement between the Corporation, the County or the Underwriter and the purchasers or owners of any of the Certificates.

This Official Statement, and its distribution and use by the Underwriter, has been duly authorized and approved by the Corporation and the County.

**COUNTY OF SOLANO**

By: \_\_\_\_\_  
[Authorized Officer]

**APPENDIX A**  
**THE COUNTY OF SOLANO**

**DRAFT**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR  
ENDED JUNE 30, 2016**

**DRAFT**

## APPENDIX C

### **DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

DRAFT

**APPENDIX D**  
**PROPOSED FORM OF OPINION OF SPECIAL COUNSEL**

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## APPENDIX E

### DTC AND THE BOOK ENTRY SYSTEM

*The information in numbered paragraphs 1-10 of this Appendix E concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the County and the Corporation take no responsibility for the completeness or accuracy thereof. The County and the Corporation cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Certificates and "Agent" means the Trustee.*

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual

purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.
6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the County or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the County of Solano (the "County") and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent"), in connection with the execution and delivery by the County of its \$[Principal Amount] Series 2017 Refunding Certificates of Participation (the "Certificates"). The Certificates are being issued pursuant to a Trust Agreement, dated as of September 1, 2017, (the "Trust Agreement"), by and among the County, the Solano County Facilities Corporation, Inc. (the "Corporation") and MUFG Union Bank, N.A. (the "Trustee"). The County and the Dissemination Agent covenant as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, 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 Report" shall mean any Annual Report provided by the County 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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income purposes.

"Disclosure Representative" shall mean the chief finance officer of the County or his or her designee, or such other officer or employee as the County shall designate from time to time.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C. or any successor Dissemination Agent, which may be designated in writing by the County.

"Holder" shall mean the person in whose name any Certificate shall be registered.

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

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"Official Statement" shall mean the Official Statement dated \_\_\_\_\_, 2017, issued by the County in connection with the sale of the Certificates.

"Participating Underwriter" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Repository" shall mean the MSRB or any other information repository as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule.

"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.

"State" shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than March 31 of each calendar year, commencing with the report for Fiscal Year 2016-17 (ending June 30, 2017) to be filed by March 31, 2018, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the County shall provide the Annual Report to the Dissemination Agent (if the County is not the Dissemination Agent); provided, however, that the County may distribute the Annual Report to the Repository itself after providing written notice to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) to the extent the County has provided the Annual Report to the Dissemination Agent, file a report with the County (if the County is not the Dissemination Agent) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing each Repository to which it was provided.

### SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) The financial statements of the County for the most recent fiscal year of the County then ended. If the County will prepare audited financial statements for such fiscal year, then such audited financial statements shall be filed. If the County prepares audited financial statements each fiscal year and if the audited financial statements are not available by the time the Annual

Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the County in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the County shall be audited by such auditor as shall then be required or permitted by State law or the Trust Agreement. Audited financial statements, if prepared by the County, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the County may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the County shall modify in any material respect the basis upon which its financial statements are prepared, the County shall provide a description of such modification in its Annual Report, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) The following information from the Official Statement shall be updated for the most recently completed fiscal year:

- (1) Table 3 entitled "Taxable Transactions" from Appendix A;
- (2) Table 9 entitled "Statement of Revenues, Expenditures and Changes in Fund Balances for General Fund" from Appendix A;
- (3) Table 11 entitled "Summary of Full Cash and Ad Valorem Property Taxation" from Appendix A; and
- (4) a summary of outstanding General Fund obligations as described under "Outstanding Payment Obligations" from Appendix A.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so included by reference.

## SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the County shall give or cause to be given to the Repository a notice of the occurrence of any of the following events with respect to the Certificates, in a timely manner not in excess of 10 business days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) Modifications to the rights of Beneficial Owners, if material;
- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Consummation of a merger, consolidation or acquisition involving an obligated person of 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, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Dissemination Agent (if the County is not the Dissemination Agent) shall, promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the County promptly notify the Dissemination Agent in writing to report the event pursuant to subsection (d); provided, that failure by the Dissemination Agent to so notify the Disclosure Representative and make such request shall not relieve the County of its duty to report Listed Events as required by this Section 5.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d).

(d) If the Dissemination Agent has been instructed by the County to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository in the manner set forth in Section 10 hereof. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

(e) The Dissemination Agent may conclusively rely on an opinion of counsel that the County's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

**SECTION 6. Termination of Reporting Obligation.** The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

**SECTION 7. Dissemination Agent.** The County 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 shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C.

**SECTION 8. Amendment; Waiver.** This Disclosure Agreement may be amended, by written agreement of the parties and the Participating Underwriter, if all of the following conditions are satisfied: (1) this Disclosure Agreement as so amended complies with the requirements of the Rule, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (2) the County shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the County and the Dissemination Agent, to the same effect as set forth in clause (1) above, and (3) the County shall have delivered copies of such amendment to each Repository.

To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County 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 Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Electronic Filing.** The County may satisfy its disclosure obligations hereunder to file any notice, document or information by filing the same with the MSRB through MSRB's Electronic Municipal Market Access system, in the format and with identifying or other information as may be required by the Securities and Exchange Commission or the MSRB, or by filing the same with any other Repository that may be recognized by the Securities and Exchange

Commission, in such manner as may be required by the Securities and Exchange Commission or such Repository.

**SECTION 11. Default.** In the event of a failure of the County or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the sole remedy of any Owner or Beneficial Owner of the Certificates under this Disclosure Agreement shall be an action to compel performance, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement.

**SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent.** The Dissemination Agent (if the County is not the Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the County, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and the payment of the Certificates.

**SECTION 13. Notices.** Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

Dissemination Agent:

Digital Assurance Certification, L.L.C.  
[390 N. Orange Avenue, Suite 1750  
Orlando, Florida 32801  
Attention: Sharon Stringfellow  
Telephone: (407) 515-1100  
Fax: (407) 515-6513]

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 14. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: \_\_\_\_\_, 2017.

DIGITAL ASSURANCE CORPORATION, L.L.C.,  
as Dissemination Agent

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

COUNTY OF SOLANO

By: \_\_\_\_\_  
County Administrator

*[Signature Page to the Continuing Disclosure Agreement]*

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of County: County of Solano

Name of Issue: County of Solano Series 2017 Refunding Certificates of Participation

Date of Issuance: \_\_\_\_\_, 2017

NOTICE IS HEREBY GIVEN that the County of Solano (the "County") has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Agreement, dated \_\_\_\_\_, 2017. The County anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

COUNTY OF SOLANO

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

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Solano

Name of Certificate Issue: County of Solano Series 2017 Refunding Certificates of Participation

Date of Issuance: [Closing Date], 2017

NOTICE IS HEREBY GIVEN that the County of Solano (the "County") has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Agreement, dated as of [Dated Date], 2017. The County anticipates that the Annual Report will be filed by \_\_\_\_\_.

DIGITAL ASSURANCE CORPORATION,  
L.L.C., as Dissemination Agent

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

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

cc: County of Solano