

See “RATINGS” herein

In the opinion of Special Counsel, based on 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 portion of each 2018 Installment Payment designated as and constituting interest paid by the County and received by the owners of the 2018A Certificates and 2018B Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) except that no opinion is expressed as to the exclusion from gross income of interest evidenced by the 2018B Certificates for any period during which such 2018B Certificates are held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities with respect to which the proceeds of the 2018B Certificates were used or is a “related person” within the meaning of Section 147(a) of the Code. The portion of each 2018 Installment Payment designated as and constituting interest paid by the County and received by the owners of the 2018C Certificates is not excluded from gross income for federal income tax purposes. In the further opinion of Special Counsel, such interest evidenced by the 2018A Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel also observes that interest evidenced by the 2018B Certificates is a specific preference item for purposes of the federal alternative minimum tax. Special Counsel is also of the opinion that interest evidenced by the 2018 Certificates is exempt from State of California personal income taxes. Special Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the amount, or the accrual or receipt of interest evidenced by, the 2018 Certificates. See “TAX MATTERS” herein.

\$ _____ *
COUNTY OF SANTA BARBARA
SOLID WASTE SYSTEM REVENUE CERTIFICATES OF PARTICIPATION

\$ _____ *
Series 2018A
(Tax-Exempt–Non-AMT)

\$ _____ *
Series 2018B
(Tax-Exempt–AMT)

\$ _____ *
Series 2018C
(Taxable)

Dated: Date of delivery

Due: December 1, as shown below

The \$ _____ *County of Santa Barbara Solid Waste System Revenue Certificates of Participation, Series 2018A (Tax-Exempt–Non-AMT) (the “2018A Certificates”), \$ _____ *Solid Waste System Revenue Certificates of Participation, Series 2018B (Tax-Exempt–AMT) (the “2018B Certificates”), and \$ _____ *Solid Waste System Revenue Certificates of Participation, Series 2018C (Taxable) (the “2018C Certificates,” and, together with the 2018A Certificates and the 2018B Certificates, the “2018 Certificates”) are being executed and delivered pursuant to, and are secured under a Trust Agreement, dated as of November 1, 2018 (the “2018 Trust Agreement”) by and among the County of Santa Barbara (the “County”), the Santa Barbara County Finance Corporation, Inc. (the “Corporation”) and U.S. Bank National Association, as trustee (the “Trustee”) to (i) pay the costs of certain improvements to the County’s solid waste management system (the “Solid Waste System”), including the costs of a Materials Recovery Facility (“MRF”), Anaerobic Digestion Facility (“ADF”) and landfill gas engines which collectively constitute the Tajiguas Resource Recovery Project (the “TRRP”), landfill closure and storm water improvements; (ii) fund a debt service reserve fund; (iii) fund capitalized interest with respect to the 2018B Certificates and 2018C Certificates through December 1, 2019; and (iv) pay costs of issuance of the 2018 Certificates. See “THE TAJIGUAS RESOURCE RECOVERY PROJECT” and “PLAN OF FINANCE.”

The principal, premium, if any, and interest due with respect to the 2018 Certificates are payable solely from payments to be made by the County to the Corporation pursuant to the terms of an Installment Purchase Contract, dated as of November 1, 2018, by and between the County and the Corporation (the “2018 Installment Purchase Contract”). Pursuant to the 2018 Installment Purchase Contract, the County’s obligation to make payments under the 2018 Installment Purchase Contract (“2018 Installment Payments”) is a special obligation of the County payable solely from amounts pledged therefor, including Net Revenues (defined herein) of the Solid

* Preliminary; subject to change.

Waste System, and will be on a parity with any other Bonds and Contracts (defined herein) issued from time to time in the future subject to the application of such Net Revenues as permitted by the 2018 Installment Purchase Contract. Net Revenues generally consist of the fees, service charges, user charges and income received by or imposed by the County in connection with the operation of the Solid Waste System or the provision of solid waste disposal services less the Maintenance and Operation Costs (defined herein) of the Solid Waste System. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates.”

Pursuant to separate Materials Delivery Commitment & Processing Services Agreements (collectively, the “Delivery Agreements”) between the County and the Cities of Goleta, Santa Barbara and Solvang (collectively, the “Public Participants”), commencing in July 2017, the County has been required to provide or cause the provision of the service of receiving and processing, treating, and/or disposing of Acceptable Materials (defined herein) from the Public Participants at the Solid Waste System. The Delivery Agreements require each Public Participant to deliver, or cause the delivery of, all Acceptable Materials collected by solid waste haulers in their respective jurisdictions, and to pay or cause the payment of Acceptable Materials Charges (defined herein) established by the County that, in the aggregate, will be sufficient to generate Revenues (defined herein) in an amount at least equal to all amounts required to be paid or incurred by the County to provide the services set forth in the Delivery Agreements, to meet the requirements of the 2018 Installment Purchase Contract (including the Rate Covenant, defined herein) and the 2018 Trust Agreement, and to replenish any reserves established under the Delivery Agreements. The County and the Public Participants have been complying with the requirements of the Delivery Agreements since July 2017. See “THE SOLID WASTE SYSTEM – Delivery Agreements.”

NEITHER THE OBLIGATION OF THE COUNTY TO MAKE THE 2018 INSTALLMENT PAYMENTS NOR THE 2018 CERTIFICATES CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE PUBLIC PARTICIPANTS), WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE PUBLIC PARTICIPANTS), ARE PLEDGED TO THE PAYMENT OF THE 2018 INSTALLMENT PAYMENTS OR TO THE PAYMENT OF THE PRINCIPAL AND PREMIUM, IF ANY, OR INTEREST EVIDENCED BY THE 2018 CERTIFICATES.

Interest with respect to the 2018 Certificates is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2019. The 2018 Certificates will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2018 Certificates. Individual purchases of the 2018 Certificates will be made in book-entry form only. Purchasers of the 2018 Certificates will not receive certificates representing their ownership interests in the 2018 Certificates purchased. The 2018 Certificates will be issuable in the principal amount of \$5,000 and any integral multiple thereof. Principal of and interest payments with respect to the 2018 Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2018 Certificates.

The 2018 Certificates are subject to prepayment prior to maturity, as described herein. See “THE 2018 Certificates—Prepayment.”

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. The purchase of the 2018 Certificates involves certain risks. See “CERTAIN RISK FACTORS” herein.

The 2018 Certificates will be offered when, as and if executed and delivered, and received by the Underwriters, subject to the approval as to the validity of the 2018 Installment Purchase Contract 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 the County Counsel and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the County, and for the Corporation by the County Counsel. Certain matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. It is anticipated that the 2018 Certificates in definitive form will be available for delivery to DTC on or about November 28, 2018.

Raymond James

Citigroup

Stifel

Dated: _____, 2018

**MATURITY SCHEDULE
COUNTY OF SANTA BARBARA
SOLID WASTE SYSTEM REVENUE CERTIFICATES OF PARTICIPATION**

\$ _____ *

**Series 2018A
(Tax-Exempt)**

Maturity (June 1) 2019	Principal Amount	Interest Rate	Yield	Price	CUSIP
---------------------------------------	-----------------------------	--------------------------	--------------	--------------	--------------

\$ _____ % 2018A Term Certificates due December 1, 2038 – Priced to Yield _____ % CUSIP[†] _____

*Priced to call at par on December 1, 20__

\$ _____ *

**Series 2018B
(Tax-Exempt–AMT)**

Maturity (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					

*Priced to call at par on December 1, 20__.

* Preliminary; subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2018 CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the County or the Underwriters take any responsibility for the accuracy of such numbers.

\$ _____
Series 2018C
(Taxable)

Maturity (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2021					
2022					
2023					
2024					

† CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2018 CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the County or the Underwriters take any responsibility for the accuracy of such numbers.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2018 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County, the Corporation or the Underwriters.

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof. This Official Statement is submitted with respect to the sale of the 2018 Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

IN CONNECTION WITH THE OFFERING OF THE 2018 CERTIFICATES, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2018 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 UNDERWRITERS MAY OFFER AND SELL THE 2018 CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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

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," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under "FEASIBILITY REPORT" and "THE SOLID WASTE SYSTEM."

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

COUNTY OF SANTA BARBARA, CALIFORNIA

BOARD OF SUPERVISORS

Das Williams, Chair, 1st District
Steve Lavagnino, Vice Chair, 5th District
Janet Wolf, 2nd District
Joan Hartmann, 3rd District
Peter Adam, 4th District

COUNTY OFFICIALS

Mona Miyasato, County Executive Officer
Jeff Frapwell, Assistant County Executive Officer
Harry Hagen, Treasurer-Tax Collector
Kim Tesoro, Assistant Treasurer-Tax Collector
Jennifer Christensen, Chief Investment Officer
Theodore Fallati, Auditor-Controller
Betsy Schaffer, Assistant Auditor-Controller
Ed Price, Chief Deputy Controller
Kyle Slattery, Financial Reporting, Division Chief
Michael Ghizzoni, County Counsel
Anne Rierison, Senior Deputy County Counsel
Amber Holderness, Senior Deputy County Counsel
Scott McGolpin, Public Works Director
Julie Hagen, Public Works Deputy Director
Mark Schleich, Public Works Deputy Director

SPECIAL SERVICES

SPECIAL COUNSEL

Orrick, Herrington & Sutcliffe LLP

DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation

TRUSTEE

U.S. Bank National Association

MUNICIPAL ADVISOR

KNN Public Finance, LLC

FEASIBILITY CONSULTANT

HF&H Consultants, LLC

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\$ _____ *

COUNTY OF SANTA BARBARA
SOLID WASTE SYSTEM REVENUE CERTIFICATES OF PARTICIPATION

\$ _____ *
Series 2018A
(Tax-Exempt-Non-AMT)

\$ _____ *
Series 2018B
(Tax-Exempt-AMT)

\$ _____ *
Series 2018C
(Taxable)

INTRODUCTION

This introduction contains only a brief summary of certain terms of the 2018 Certificates being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

Purpose

This Official Statement, including the cover and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and delivery of the County of Santa Barbara \$ _____ * Solid Waste System Revenue Certificates of Participation, Series 2018A (Tax-Exempt-Non-AMT) (the "2018A Certificates"), \$ _____ * Solid Waste System Revenue Certificates of Participation, Series 2018B (Tax-Exempt-AMT) (the "2018B Certificates"), \$ _____ Solid Waste System Revenue Certificates of Participation, and \$ _____ * Solid Waste System Revenue Certificates of Participation, Series 2018C (Taxable) (the "2018C Certificates," and, together with the 2018A Certificates and the 2018B Certificates, the "2018 Certificates"). The 2018 Certificates are being executed and delivered pursuant to, and are secured under a Trust Agreement, dated as of November 1, 2018 (the "2018 Trust Agreement") by and among the County of Santa Barbara (the "County"), the Santa Barbara County Finance Corporation, Inc. (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee") to (i) pay the costs of certain improvements to the County's solid waste management system (the "Solid Waste System"), including the costs of a Materials Recovery Facility, an Anaerobic Digestion Facility and landfill gas engines which collectively constitute the Tajiguas Resource Recovery Project (the "TRRP"), landfill closure and storm water improvements; (ii) fund a debt service reserve fund; (iii) fund capitalized interest with respect to the 2018B Certificates and 2018C Certificates through December 1, 2019; and (iv) pay costs of issuance of the 2018 Certificates. See "THE SOLID WASTE SYSTEM," "THE TAJIGUAS RESOURCE RECOVERY PROJECT" and "PLAN OF FINANCE." Each 2018 Certificate constitutes a proportional undivided interest of the registered owners (the "Owners") thereof in the payments payable by the County to the Corporation pursuant to the 2018 Installment Purchase Contract (defined herein).

Security and Sources of Payment for the 2018 Certificates

The County and the Corporation are entering into an Installment Purchase Contract, dated as of November 1, 2018 relating to the TRRP and related facilities (the "2018 Installment Purchase Contract"). Pursuant to the 2018 Installment Purchase Contract, the County is obligated to make payments ("2018 Installment Payments"). Pursuant to an Assignment Agreement dated as of November 1, 2018 (the "Assignment Agreement"), the Corporation will assign to the Trustee, for the benefit of the owners of the 2018 Certificates, all of its right, title and interest (other than its right to indemnification and certain other rights under the 2018 Installment Purchase Contract) in and to the 2018 Installment Purchase Contract, including the

* Preliminary; subject to change.

right to receive 2018 Installment Payments. Each 2018 Certificate represents the owner's proportionate share of the 2018 Installment Payments. Pursuant to the 2018 Installment Purchase Contract, the County is generally required to pay to the Corporation, from the sources identified therein, specified 2018 Installment Payments which are designed to be sufficient, in both time and amount to pay, when due, the principal and premium (if any), and interest with respect to the 2018 Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – Schedule of 2018 Installment Payments."

The County's obligation to make 2018 Installment Payments is a special obligation of the County payable solely from amounts pledged therefor pursuant to the 2018 Installment Purchase Contract, including certain revenues of the Solid Waste System, and is on a parity with other Bonds or Contracts (each as herein defined) which may be issued or executed from time to time in the future by the County subject to satisfaction of the requirements of the 2018 Installment Purchase Contract. Such revenues of the Solid Waste System so pledged consist primarily of the Net Revenues of the Solid Waste System. The Net Revenues consist generally of fees, service charges, user charges and income received by or imposed by the County in connection with the operation of the Solid Waste System or the provision of solid waste disposal services less the Maintenance and Operation Costs of the Solid Waste System. Amounts in the General Fund of the County are not pledged for the payment of the 2018 Installment Payments or any other amounts in connection with the 2018 Certificates, and the County is not obligated to utilize any amounts in the General Fund for such purpose. See "SECURITY AND SOURCES OF PAYMENTS FOR THE 2018 Certificates."

Subject to the conditions set forth in the 2018 Installment Purchase Contract, the County may enter into additional Bonds or Contracts payable from the Net Revenues on a parity with the 2018 Installment Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – Additional Bonds and Contracts."

Pursuant to the 2018 Trust Agreement, a Debt Service Reserve Fund will be funded from the proceeds of the sale of the 2018 Certificates in the amount of the Debt Service Reserve Fund Requirement. At the option of the County and pursuant to the terms of the 2018 Trust Agreement, a Debt Service Reserve Fund Credit Facility may be deposited into the Debt Service Reserve Fund in lieu of cash in the amount of the Debt Service Reserve Fund Requirement. See APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

As more particularly described herein, the 2018 Installment Purchase Contract provides that the County will fix, prescribe and collect charges, fees and rates for the use of the Solid Waste System which are reasonably fair and nondiscriminatory and which shall be at least sufficient to yield (i) Net Revenues during each Fiscal Year equal to one hundred fifty percent (150%) of the Debt Service for such Fiscal Year, and (ii) Net Current Revenues during each Fiscal Year equal to Debt Service for such Fiscal Year. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates — Rate Covenant."

The 2018 Installment Purchase Contract provides that the County shall maintain a separate account or fund within the Resource Recovery Enterprise Fund known as the "Bond Rate Stabilization Fund." The Bond Rate Stabilization Fund will initially be funded at \$5,000,000. From time to time, the County may deposit in the Bond Rate Stabilization Fund from Current Revenues such amounts as the County shall determine, provided that deposits for each Fiscal Year may be made until (but not after) 180 days following the end of such Fiscal Year. The County may withdraw funds from the Bond Rate Stabilization Fund for any lawful purpose of the County relating to the Solid Waste System. In addition, the County may withdraw amounts from the Bond Rate Stabilization Fund for transfer to the Revenue Fund in accordance with the 2018 Installment Purchase Contract, for inclusion in Revenues for any Fiscal Year, such withdrawals to be made until (but not after) 180 days after the end of such Fiscal Year. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – Bond Rate Stabilization Fund." The 2018 Installment Purchase Contract does not require that any minimum amount be maintained in the Bond Rate Stabilization Fund. The Bond Rate Stabilization Fund will be held by the County and is not pledged to the holders of any Contracts (including the 2018 Installment Purchase Contract) or Bonds.

NEITHER THE OBLIGATION OF THE COUNTY TO MAKE THE 2018 INSTALLMENT PAYMENTS NOR THE 2018 CERTIFICATES CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE PUBLIC PARTICIPANTS), WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE PUBLIC PARTICIPANTS), ARE PLEDGED TO THE PAYMENT OF THE 2018 INSTALLMENT PAYMENTS OR TO THE PAYMENT OF THE PRINCIPAL AND PREMIUM, IF ANY, OR INTEREST EVIDENCED BY THE 2018 CERTIFICATES.

Delivery Agreements

Pursuant to separate Materials Delivery Commitment & Processing Services Agreements (collectively, the “Delivery Agreements”) between the County and the Cities of Goleta, Santa Barbara and Solvang (collectively, the “Public Participants”), commencing in July, 2017, the County has been required to provide or cause the provision of the service of receiving and processing, treating, and/or disposing of Acceptable Materials (defined herein) from the Public Participants at the Solid Waste System. The Delivery Agreements require each Public Participant to deliver, or cause the delivery of, all Acceptable Materials collected by solid waste haulers in their respective jurisdictions, and to pay or cause the payment of Acceptable Materials Charges (defined herein) established by the County that, in the aggregate, will be sufficient to generate Revenues in an amount at least equal to all amounts required to be paid or incurred by the County to provide the services set forth in the Delivery Agreements, to meet the requirements of the 2018 Installment Purchase Contract (including the Rate Covenant), and to replenish any reserves established under the Delivery Agreements. In addition to the Delivery Agreement with the Public Participants, the County has also entered into an agreement with MarBorg Industries, the franchised waste collector for the City of Buellton with respect to solid waste and other materials collected within the City of Buellton. The County has also entered into a separate agreement with MarBorg Industries for the delivery of materials from a facility owned and operated by MarBorg Industries within the Solid Waste System service area.

Pursuant to the Delivery Agreements, since July 2017, the County has been providing solid waste management services at the existing Solid Waste System. In addition, the Public Participants have been making required deliveries to the Solid Waste System and paying Acceptable Material Charges in a timely manner.

See “THE SOLID WASTE SYSTEM – Delivery Agreements.”

TRRP

A significant portion of the proceeds of the 2018 Certificates will be used to pay the cost of the construction of the TRRP. The TRRP will be located on approximately six acres at the Tajiguas Landfill and consists of the MRF and the ADF. The composting area will occupy approximately an additional 5 acres. The TRRP is designed to modify the processing of solid waste currently delivered to the Tajiguas Landfill for disposal as well as to process source separated recyclables and organic waste from the Public Participants’ existing and future recycling programs in order to reduce landfilling and greenhouse gas emissions and to extend the life of the Tajiguas Landfill. The TRRP also includes the acquisition and installation of landfill gas engines. See “THE TAJIGUAS RESOURCE RECOVERY PROJECT.”

In February 2017, the County entered into a bond purchase agreement with the Underwriter for the sale of certificates of participation (the “Planned 2017 Certificates”) to finance the then-current costs of the Project. However, subsequent to the execution of the bond purchase agreement and prior to the scheduled date of issuance of the Planned 2017 Certificates, the County discovered that a portion of the TRRP was within the Coastal Zone which required additional approvals from the State Coastal Commission. As a result the Planned 2017 Certificates could not be issued. As more particularly described in the Feasibility Report, the TRRP

layout was revised to relocate the ADF to a location outside the Coastal Zone. On September 21, 2018, the California Coastal Commission issued a Coastal Zone Boundary Determination that stated that the relocated TRRP is located outside of the Coastal Zone and is not subject to the permit requirements of the Coastal Act of 1976. See “THE TAJIGUAS RESOURCE RECOVERY PROJECT - Relocation of TRRP and Related TRRP Contract Amendments.”

Outstanding Obligations of the Solid Waste System

As of the date of execution and delivery of the 2018 Certificates, the 2018 Installment Purchase Contract will be the only currently outstanding Contract, and there are no outstanding Bonds. As described herein in “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates - Existing Unsecured Obligation Payable From Revenues of the Solid Waste System” the County has previously incurred obligations in connection with the issuance of certificates of participation to finance improvements to the Solid Waste System. These obligations are legally payable from the County’s General Fund. However, these obligations are reflected on the financial statements of the County as obligations of the Resource Recovery Enterprise Fund, and the County has historically utilized revenues of the Solid Waste System in the Resource Recovery Enterprise Fund to make the payments required for the certificates of participation. The County intends to pay the remaining debt service with respect to these certificates of participation from the Surplus Fund on a basis subordinate to the 2018 Installment Payments.

Prepayment

The 2018 Certificates are subject to optional prepayment, mandatory prepayment and extraordinary prepayment prior to their stated maturities as set forth herein. See “THE 2018 CERTIFICATES — Prepayment.”

The County of Santa Barbara

The County was established by an act of the Legislature on February 18, 1850 as one of the original 27 counties of the State of California (the “State”), with the City of Santa Barbara as the County seat. The County has a population of approximately 453,500 and covers approximately 2,737 square miles, of which approximately one-third is located in the Los Padres National Forest, and is located on the California coast approximately 100 miles north of Los Angeles and approximately 300 miles south of San Francisco. See “THE COUNTY.”

Continuing Disclosure

The County has agreed to provide, or cause to be provided, in accordance with Securities Exchange Commission Rule 15c2-12(b)(5), certain annual financial information and operating data, including the audited financial statements of the County (which include the business-type activities of the Resource Recovery Enterprise Fund), and an update of certain information relating to the Solid Waste System. See “CONTINUING DISCLOSURE” herein and APPENDIX E — “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Feasibility Report

In connection with the execution and delivery of the 2018 Certificates, on _____, 2018, HF&H Consultants, LLC (the “Feasibility Consultant”), issued a Feasibility Report entitled “County of Santa Barbara - Solid Waste System Consultant’s Report and Feasibility Study Related to the Solid Waste System Revenue Certificates of Participation, Series 2018” (the “Feasibility Report”). A copy of the Feasibility Report is attached hereto as Appendix A. See “FEASIBILITY REPORT.”

Miscellaneous

The 2018 Certificates will be offered when, as and if executed and delivered, and received by the Underwriters, subject to the approval as to their legality by Special Counsel and certain other conditions. It is anticipated that the 2018 Certificates in definitive form will be available for delivery to DTC on or about November 28, 2018.

The descriptions herein of the 2018 Trust Agreement, the 2018 Installment Purchase Contract, the Assignment Agreement and any other agreements relating to the 2018 Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the 2018 Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.” Copies of the documents are on file and available for inspection at the Principal Corporate Trust Office of the Trustee at 633 West Fifth Street, 24th Floor Los Angeles, CA 90071.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the 2018 Trust Agreement. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — DEFINITIONS” for definitions of certain words and terms used but not otherwise defined herein.

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated sources and uses of funds with respect to the 2018 Certificates are set forth below:

<i>Estimated Sources of Funds</i>	2018A Certificates	2018B Certificates	2018C Certificates	Total
Par Amount				
Net Original Issue				
Premium				
County Contribution				
Total Sources				
<i>Estimated Uses of Funds</i>				
Deposit to Project Fund				
Debt Service Reserve				
Fund ⁽¹⁾				
Interest Account ⁽²⁾				
Bond Rate Stabilization				
Fund				
Cost of Issuance ⁽³⁾				
Total Uses				

⁽¹⁾ Represents Debt Service Reserve Fund Requirement as of date of execution and delivery of the 2018 Certificates.

⁽²⁾ Represents interest with respect to the 2018B Certificates and 2018C Certificates through [December 1, 2019].

⁽³⁾ Includes rating agency, legal, financial advisory, printing, underwriting costs and other costs of issuance.

PLAN OF FINANCE

The County will apply the proceeds of the sale of the 2018 Certificates, together with other lawfully available funds designated by the County, to (i) pay the costs of certain improvements to the Solid Waste System, including costs of the TRRP, landfill closure and storm water improvements; (ii) fund a debt service reserve fund; (iii) fund capitalized interest with respect to the 2018B Certificates and 2018C Certificates through December 1, 2019; and (iv) pay costs of issuance of the 2018 Certificates. The TRRP is described in

the Feasibility Report, and generally consists of the construction of the MRF and the ADF. See Appendix A – “FEASIBILITY REPORT” and “THE TAJIGUAS RESOURCE RECOVERY PROJECT” for a discussion of the TRRP. See “THE SOLID WASTE SYSTEM – Capital Plan.”

THE 2018 CERTIFICATES

General

The 2018 Certificates are dated their date of delivery, and each 2018 Certificate shall be payable with respect to interest on June 1 and December 1 of each year. Interest with respect to the 2018 Certificates is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2019. The 2018 Certificates will be delivered in fully registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2018 Certificates. Ownership interests in the 2018 Certificates may be purchased in book-entry form only, in the denominations of \$5,000 each or any integral multiple thereof. See “APPENDIX F — “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Prepayment

Optional Make-Whole Prepayment of 2018C Certificates. The 2018C Certificates are subject to prepayment prior to their respective Certificate Payment Dates at the option of the County, from moneys deposited by the County from any source of available funds, as a whole or in part on any date, on such Certificate Payment Dates as are designated by the County and pro rata within a Certificate Payment Date, at the prepayment price equal to the greater of:

- (1) 100% of the principal amount of the 2018C Certificates to be prepaid; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest represented by such 2018 Certificates to be prepaid, not including any portion of those payments of interest accrued and unpaid as of the date on which such Certificates are to be prepaid, discounted to the date on which such Certificates are to be prepaid on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus __ basis points;

plus, in each case, accrued interest represented by such Certificates to be prepaid to the prepayment date.

At the request of the County, the prepayment price of the 2018C Certificates to be prepaid at the option of the County will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the County at the County's expense to calculate such prepayment price. The County and the Trustee may conclusively rely on the determination of such prepayment price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance. The County shall provide the prepayment price of the 2018C Certificates to the Trustee.

Optional Prepayment of 2018A Certificates and the 2018B Certificates. Except as set forth below, the 2018A Certificates and 2018B Certificates with a stated Certificate Payment Date on or before December 1, 20__, will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The 2018A Certificates and 2018B Certificates with a stated Certificate Payment Date on or after December 1, 20__, will be subject to prepayment prior to their stated Certificate Payment Date, at the option of the County, from any available source of funds, as a whole or in part (among Series and Certificate Payment Dates as directed by the County) on any date on or after December 1, 20__ at the principal amount evidenced and represented thereby, plus interest evidenced and represented thereby accrued to the date of prepayment, without premium.

Extraordinary Prepayment from Insurance Proceeds. The 2018 Certificates are subject to prepayment prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, on any date as a whole or in part (among Series and Certificate Payment Dates as directed by the County), from amounts deposited in the Prepayment Account from insurance proceeds transferred to the Trustee pursuant to the 2018 Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the 2018 Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for payment, without premium.

Mandatory Sinking Fund Prepayment of 2018A Certificates Maturing December 1, 20__. The 2018A Certificates with a Certificate Payment Date of December 1, 20__ are also subject to mandatory prepayment prior to their stated Certificate Payment Date in part on December 1 of each year on and after December 1, 20__, by lot, from and in the amount of the principal components of the 2018 Installment Payments applicable thereto and due and payable on such dates, at a prepayment price equal to the sum of the principal amount represented thereby plus accrued interest represented thereby to the date of prepayment, without premium. The principal component of each such 2018 Installment Payment is set forth below:

December 1	Amount
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Selection of 2018 Certificates for Prepayment. The 2018 Trust Agreement provides that, whenever less than all the Outstanding Certificates of a Series are to be prepaid on any one date, the Trustee shall select the Certificate Payment Dates of the 2018 Certificates of such Series to be so prepaid and the amount of Certificates with such respective Certificate Payment Dates in accordance with the provisions contained in a Request of the County. Whenever less than all of the Outstanding 2018A Certificates or all of the Outstanding 2018B Certificates of any one Certificate Payment Date of a Series are to be prepaid on any one date, the Trustee shall select the 2018A Certificates or the 2018B Certificates of such Certificate Payment Date of such Series to be prepaid in whole or in part from the Outstanding 2018A Certificates or the Outstanding 2018B Certificates of such Certificate Payment Date by lot in any manner that the Trustee deems appropriate and fair, and the Trustee shall promptly notify the County in writing of the numbers of the 2018A Certificates or 2018B Certificates so selected for prepayment in whole or in part on such date. Whenever less than all of the Outstanding 2018C Certificates of any one Certificate Payment Date of a Series are to be prepaid on any one date, the Trustee shall select the 2018C Certificates of such Certificate Payment Date of such Series to be prepaid in whole or in part from the Outstanding 2018C Certificates of such Certificate Payment Date pro rata in any manner that the Trustee deems appropriate and fair, and the Trustee shall promptly notify the County in writing of the numbers of the 2018C Certificates so selected for prepayment in whole or in part on such date.

Notice of Prepayment. The 2018 Trust Agreement provides that notice of prepayment shall be given by first class mail to the respective Owners of any Certificates designated for prepayment in whole or in part prior to their prepayment date. Notice of prepayment shall be mailed by first class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the prepayment date. Each notice of prepayment shall state the date of notice, the prepayment date, the prepayment place and the prepayment price, shall designate the Series, Certificate Payment Dates, CUSIP numbers, if any, and the serial numbers of the 2018 Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates of a Series between two stated numbers, both inclusive, have been called for prepayment, shall (in the case of any Certificate called for prepayment in part only) state the part of the principal amount evidenced and represented thereby which is to be prepaid, and shall state that the interest evidenced and represented by the 2018 Certificates of a Series or parts thereof designated for prepayment shall cease to accrue from and after such prepayment date and that on such prepayment date there will become due and payable on each of the 2018 Certificates of a Series or parts thereof designated for prepayment the prepayment price evidenced and represented thereby.

Neither failure to mail any notice of prepayment nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for the prepayment of any of the 2018 Certificates for which notice was properly given.

The County may, at its option, prior to the date fixed for prepayment in any notice of prepayment rescind and cancel such notice of prepayment by Request of the County to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of prepayment being cancelled.

SECURITY AND SOURCES OF PAYMENT FOR THE 2018 CERTIFICATES

General

Each 2018 Certificate evidences an undivided proportionate interest in the 2018 Installment Payments to be made by the County from Net Revenues under the 2018 Installment Purchase Contract. The Corporation, pursuant to the Assignment Agreement, has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, all of the Corporation's rights, title and interest (other than its right to indemnification and certain other rights) under the 2018 Installment Purchase Contract, including the right to receive 2018 Installment Payments from the County and the right to exercise any remedies provided therein in the event of a default by the County thereunder.

Pursuant to the 2018 Installment Purchase Contract all Net Revenues (defined below) are pledged to the payment of the 2018 Installment Payments and debt service on other Bonds and Contracts as provided in the 2018 Installment Purchase Contract, and the Net Revenues shall not be used for any other purpose while any 2018 Installment Payments remain unpaid; provided, however, that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the 2018 Installment Purchase Contract, including payment of debt service on any Bonds and Contracts. The pledge pursuant to the 2018 Installment Purchase Contract constitutes a lien on the Net Revenues for the payment of the 2018 Installment Payments and debt service on any Bonds and Contracts in accordance with the 2018 Installment Purchase Contract. The 2018 Certificates are not secured by a mortgage or other security interest in the Solid Waste System.

"Solid Waste System" means all solid waste collection, processing, diversion, composting, recycling, disposal and power generation facilities (including related equipment) and any other facilities related thereto now owned by the County, and all other facilities (including related equipment) for solid waste collection, processing, diversion, composting, recycling, disposal and power generation hereafter acquired and constructed by the County and such other facilities, which may or may not be owned by the County, determined by the County to be a part of the Solid Waste System. Solid Waste System shall not include any Special Facilities.

"Net Revenues" means, for any Fiscal Year, the Revenues during such Fiscal Year less the Maintenance and Operation Costs during such Fiscal Year.

"Revenues" means Current Revenues plus deposits to the Revenue Fund from amounts on deposit in the Bond Rate Stabilization Fund, but only as and to the extent specified in the 2018 Installment Purchase Contract, less amounts transferred to the Bond Rate Stabilization Fund (other than the initial deposit therein).

"Current Revenues" means all gross income and revenue received or receivable by the County from the ownership, operation or use of the Solid Waste System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees, charges and revenue (including tipping fees, recovered materials revenue, power revenues and salvage income) received by the County for the use of the Solid Waste System and all other income and revenue howsoever derived by the County from the ownership, operation or use of the Solid Waste System, but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

“Maintenance and Operation Costs” means the reasonable and necessary costs paid or incurred by the County for maintaining and operating the Solid Waste System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Solid Waste System in good repair and working order, state mandated surcharges, and the annual costs of any permits or licenses, but excluding debt service cost, and including all administrative costs of the County that are charged directly or apportioned to the operation of the Solid Waste System, such as salaries, wages and pension and other post-employment benefits of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the County or charges required to be paid by them to comply with the terms hereof or of any resolution authorizing the issuance of any Bonds or of such Bonds, or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Bonds or Contracts and fees and expenses of Independent Certified Public Accountants and Independent Engineers, Insurance Consultants, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles and intergovernmental transfers by the County which are not reimbursements or payments for overhead or other administrative expenses incurred by the County related to the operation of the System. Maintenance and Operation Costs do not include (i) dividend payments by the County to the Public Participants from the Surplus Fund pursuant to the terms and provisions of the Material Delivery Agreements, and (ii) payments by the County to the Service Contractor from funds in the Jurisdictional Rate Stabilization Fund. See “THE SOLID WASTE SYSTEM –Delivery Agreements.”

In the 2018 Installment Purchase Contract, the County covenants that it will not pledge, encumber or otherwise secure its obligations from Net Revenues except as otherwise provided in the 2018 Installment Purchase Contract. The County has the right to issue or incur indebtedness or other obligations on a parity with the 2018 Installment Payments. See “- Additional Bonds and Contracts.”

2018 Installment Payments

The 2018 Installment Purchase Contract requires the County to make payments of 2018 Installment Payments prior to a related Interest Payment Date (each a “Due Date”), and continuing thereafter during the term of the 2018 Certificates, in amounts as specified in the 2018 Installment Purchase Contract. See “-- Application of Revenues” below and “APPENDIX C” - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.” The 2018 Installment Payments shall be paid directly to the Trustee.

The County’s obligation to make 2018 Installment Payments is a special obligation of the County payable solely from amounts pledged therefor pursuant to the 2018 Installment Purchase Contract, including certain revenues of the Solid Waste System, and is on a parity with other Bonds or Contracts (each as herein defined) which may be issued or executed from time to time in the future by the County subject to satisfaction of the requirements of the 2018 Installment Purchase Contract. Such revenues of the Solid Waste System so pledged consist primarily of the Net Revenues of the Solid Waste System. Amounts in the General Fund of the County are not pledged for the payment of the 2018 Installment Payments or any other amounts in connection with the 2018 Certificates, and the County is not obligated to utilize any amounts in the General Fund for such purpose.

NEITHER THE OBLIGATION OF THE COUNTY TO MAKE THE 2018 INSTALLMENT PAYMENTS NOR THE 2018 CERTIFICATES CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE PUBLIC PARTICIPANTS), WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OR THE STATE OF CALIFORNIA. OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING THE PUBLIC PARTICIPANTS), ARE PLEDGED TO THE PAYMENT OF THE 2018 INSTALLMENT PAYMENTS OR TO THE PAYMENT OF THE PRINCIPAL AND PREMIUM, IF ANY, OR INTEREST EVIDENCED BY THE 2018 CERTIFICATES.

Rate Covenant

The 2018 Installment Purchase Contract provides that the County will fix, prescribe and collect charges, fees and rates for the use of the Solid Waste System which are reasonably fair and nondiscriminatory and which shall be at least sufficient to yield (i) Net Revenues during each Fiscal Year equal to one hundred fifty percent (150%) of the Debt Service for such Fiscal Year, and (ii) Net Current Revenues during each Fiscal Year equal to Debt Service for such Fiscal Year. The County may make adjustments from time to time to such charges, fees and rates and may make such classification thereof as it deems necessary, but shall not reduce the charges, fees and rates then in effect unless the Net Revenues from such reduced charges, fees and rates will at all times be sufficient to meet the requirements of the 2018 Installment Purchase Contract.

The obligation of the County to establish charges, fees and rates is referred to herein as the “Rate Covenant.”

Debt Service Reserve Fund

Pursuant to the 2018 Trust Agreement, a Debt Service Reserve Fund is established, to be held by the Trustee in an amount equal to the Debt Service Reserve Fund Requirement. “Debt Service Reserve Fund Requirement” means, as of any date of determination, the least of (a) ten per cent (10%) of the initial offering price to the public of the 2018 Certificates as determined under the Code, or (b) the maximum annual 2018 Installment Payments payable in the current or any Fiscal Year, or (c) one hundred twenty-five per cent (125%) of the average annual 2018 Installment Payments payable in the current or any Fiscal Year, all as computed and determined by the County and specified in writing to the Trustee.

As of the date of execution and delivery of the 2018 Certificates, the Debt Service Reserve Fund Requirement will be \$_____.

Pursuant to the 2018 Trust Agreement, the County may satisfy the Reserve Requirement through the use of a Debt Service Reserve Fund Credit Facility. The term “Debt Service Reserve Fund Credit Facility” means a letter of credit, insurance policy, surety bond, or other credit facility provided to the Trustee by a bank, insurance company or other financial institution whose senior unsecured debt obligations are, or whose claims paying ability is, at the time of the delivery of such Debt Service Reserve Fund Credit Facility, in at least the top two rating categories, without regard to modifier, by at least one Rating Agency, which provides for payment when due, in accordance with the terms thereof, of the principal or redemption price of and/or interest represented by the Certificates. The 2018 Trust Agreement does not require that the Debt Service Reserve Fund Credit Facility be replaced or cash funded in the event of a rating downgrade of the bank, insurance company or other financial institution providing the Debt Service Reserve Fund Credit Facility.

All amounts in the Debt Service Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the 2018 Installment Payments, when due and payable to the extent that moneys deposited in the 2018 Installment Payment Fund are not sufficient for such purpose, and making the final 2018 Installment Payments. After the initial deposit has been made, the County shall maintain or cause to be maintained in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement.

Pursuant to the 2018 Installment Purchase Contract, on or before the last Business Day next preceding June 1 and December 1 of each year, beginning on June 1, 2019, the County shall, from the remaining money in the Revenue Fund, thereafter transfer to the Trustee for deposit in the Debt Service Reserve Fund (on a parity with reserve fund deposits, if any, required to be made for all Bonds and other Contracts) the sum, if any, necessary to restore the Debt Service Reserve Fund to an amount at least equal to the Debt Service Reserve Fund Requirement.

Pursuant to the 2018 Trust Agreement, if, on any Interest Payment Date, the moneys on hand in the 2018 Installment Payment Fund do not equal the amount of the interest payment or principal payment then due

and payable with respect to the 2018 Certificates, the Trustee shall apply the moneys on hand in the Debt Service Reserve Fund to make such payment on behalf of the County by transferring the amount necessary to the 2018 Installment Payment Fund. Upon receipt by the Trustee from the County of any delinquent 2018 Installment Payment with respect to which moneys have been advanced from the Debt Service Reserve Fund, such 2018 Installment Payment shall be deposited in the Debt Service Reserve Fund to the extent of such advance.

All money on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall, on June 1 and December 1 of each year, beginning on June 1, 2019, be withdrawn by the Trustee from the Debt Service Reserve Fund and deposited pro rata in each of the 2018A Installment Payment Fund, the 2018B Installment Payment Fund and the 2018C Installment Payment Fund, and for this purpose all investments in the Debt Service Reserve Fund shall be valued on June 1 and December 1 of each year, beginning on June 1, 2019, at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder, at his option, if so redeemable, or if not so redeemable, at the market value of such investments.

The 2018 Installment Purchase Contract and the 2018 Trust Agreement do not require the establishment of reserves funds for any additional Bonds or Contracts. For additional provisions relating to the Debt Service Reserve Fund, see “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Bond Rate Stabilization Fund

The 2018 Installment Purchase Contract provides that the County shall maintain and hold a separate fund or account within the Resource Recovery Enterprise Fund known as the “Bond Rate Stabilization Fund.” The Bond Rate Stabilization Fund is not pledged to payment of the 2018 Certificates. On the date of execution and delivery of the 2018 Certificates, the County shall deposit \$5,000,000 into the Bond Rate Stabilization Fund. From time to time thereafter, the County may deposit in the Bond Rate Stabilization Fund from Current Revenues such amounts as the County shall determine, provided that deposits for each Fiscal Year may be made until (but not after) 180 days following the end of such Fiscal Year. The County may withdraw amounts from the Bond Rate Stabilization Fund for any lawful purpose of the County relating to the Solid Waste System. In addition, the County may withdraw amounts from the Bond Rate Stabilization Fund for transfer to the Revenue Fund in accordance with the 2018 Installment Purchase Contract, for inclusion in Revenues for any Fiscal Year, such withdrawals to be made until (but not after) 180 days after the end of such Fiscal Year. All interest or other earnings on deposits in the Bond Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Current Revenues. Notwithstanding the foregoing, no deposit of Current Revenues to the Bond Rate Stabilization Account may be made to the extent such Current Revenues were included in an engineer’s or accountant’s certificate submitted in connection with the execution of Additional Bonds or Contracts in accordance with the 2018 Installment Purchase Contract and withdrawal of the Current Revenues to be deposited in the Bond Rate Stabilization Fund from Revenues employed in rendering said engineer’s or accountant’s certificate would cause noncompliance with the 2018 Installment Purchase Contract.

The 2018 Installment Purchase Contract does not require that any minimum amount be maintained in the Bond Rate Stabilization Fund.

A Jurisdictional Rate Stabilization Fund is established pursuant to the Delivery Agreements. See “THE SOLID WASTE SYSTEM – Delivery Agreements.” Amounts in the Jurisdictional Rate Stabilization Fund are not pledged for payment of 2018 Installment Payments or debt service with respect to the 2018 Certificates.

Additional Bonds and Contracts

The 2018 Installment Purchase Contract provides that the County may at any time issue any Bonds, the payments under and pursuant to which, or execute any Contract the Installment Payments under and pursuant to which, as the case may be, are payable on a parity with the payment by the County of the 2018 Installment Payments from the Net Revenues as provided in the 2018 Installment Purchase Contract.

“Bonds” means all revenue bonds of the County issued under and pursuant to applicable law, the payments of the interest on and the principal of and the redemption premiums, if any, on which are payable from the Net Revenues on a parity with the payment of the 2018 Installment Payments.

“Contracts” means all contracts of the County executed by the County under and pursuant to applicable law, the payment of the Installment Payments under which are payable from Net Revenues on a parity with the payment of the 2018 Installment Payments.

“Additional Obligations” shall mean all additional Bonds to be issued, and/or Contracts to be executed, by the County pursuant to the 2018 Installment Purchase Contract. “Additional Revenues” shall mean any or all of the following amounts: (a) an allowance for Current Revenues arising from any increase in the rates, fees and charges made for service from the Solid Waste System which has become effective prior to issuance of the proposed “Additional Obligations” but which, during all or any part of such Fiscal Year or such 12-month period (as referenced in the following paragraph), was not in effect, in an amount equal to the total amount by which the Current Revenues would have been increased if such increase in rates, fees and charges had been in effect during the whole of such Fiscal Year or such 12-month period (referenced in the following paragraph), all as shown by a Certificate of the County; and (b) an allowance for Current Revenues from any additions or improvements to or extensions of the Solid Waste System to be financed from the proceeds of the proposed Additional Obligations or from any other source but in any case which, during all or any part of such Fiscal Year or such 12-month period (referenced in the following paragraph) were not in service, all in an amount equal to 80% of the estimated additional average annual Current Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is to be in operation, all as shown by a Certificate of the County.

No Additional Obligations may be issued, or entered into, by the County unless (a) no Event of Default shall have occurred and be continuing, and (b) Net Revenues for the most recent audited Fiscal Year or for any more recent consecutive twelve-month period selected by the County preceding the date of issuance or execution of such Additional Obligations, plus (at the option of the County) any Additional Revenues, are at least equal to one hundred fifty percent (150%) of the Maximum Annual Debt Service on all outstanding Bonds and Contracts and on such Additional Obligations, as evidenced by a Certificate of the County. The 2018 Installment Purchase Contract and the 2018 Trust Agreement do not require the establishment of reserve funds for any additional Bonds or Contracts.

The 2018 Installment Purchase Contract provides that there shall be no limitations on the ability of the County to execute any Contract or to issue any Bonds, or arrange with the Corporation to execute any Contract or to issue any Bonds at any time to refund any outstanding Bonds or any outstanding Contracts, provided that during the period in which Bonds or Contracts (other than the refunding or refunded Bonds and Contracts) will be outstanding, the Debt Service due in each Fiscal Year following such refunding will be less than what the Debt Service due in such Fiscal Year would have been without such refunding.

There are no limitations on the ability of the County to incur debt or other obligations payable from Net Revenues on a basis subordinate to the payment by the County of the 2018 Installment Payments.

Outstanding Bonds or Contracts

As of the date of execution and delivery of the 2018 Certificates, the 2018 Installment Purchase Agreement will be the only currently outstanding Contract, and there are no outstanding Bonds.

Existing Unsecured Obligation Payable From Revenues of the Solid Waste System

The County has previously incurred obligations in connection with the issuance of following certificates of participation to finance improvements to the Solid Waste System:

- County of Santa Barbara 2008 Certificates Series A-2, which are currently outstanding in the principal amount of approximately \$3.0 million (the “2008 A-2 Certificates”). Average annual debt service through maturity in Fiscal Year 2023-24 is approximately \$576,000.
- County of Santa Barbara 2010 Certificates Series A-1, which are currently outstanding in the principal amount of approximately \$708,000 (the “2010 A-1 Certificates”). Average annual debt service through maturity in Fiscal Year 2019-20 is approximately \$372,000.

Payments with respect to the obligations securing the 2008 A-2 Certificates and the 2010 A-1 Certificates are legally payable from the County’s General Fund. However, these obligations are reflected on the financial statements of the County as obligations of the Resource Recovery Enterprise Fund, and the County has historically utilized revenues of the Solid Waste System in the Resource Recovery Enterprise Fund to make such payments. The County intends to provide for payment of the remaining debt service with respect to the 2008 A-2 Certificates and the 2010 A-1 Certificates from the Surplus Fund on a basis subordinate to the 2018 Installment Payments.

2018 Installment Payments are Absolute and Unconditional

The 2018 Installment Purchase Contract provides that the obligation of the County to pay the 2018 Installment Payments and the obligation of the County to pay Policy Costs, if any, from the Net Revenues as provided in the 2018 Installment Purchase Contract are absolute and unconditional, and until such time as the 2018 Installment Payments and Policy Costs, if any, shall have been fully paid (or provision for the payment thereof shall have been made pursuant to the 2018 Installment Purchase Contract), the County will not discontinue or suspend any 2018 Installment Payments required to be made by it under the 2018 Installment Purchase Contract, whether or not the TRRP or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Additional Covenants

Additional covenants of the County contained in the 2018 Installment Purchase Contract include, but are not limited to, the following:

(a) Maintenance and Operation. The 2018 Installment Purchase Contract provides that the County will maintain and preserve the Solid Waste System in good repair and working order at all times and will operate the Solid Waste System in an efficient, economical and environmentally sound manner and will pay all Maintenance and Operation Costs as they become due and payable.

(b) Budgets. Not later than September 1st of each year, the County will adopt and, if requested, make available to the Corporation and the Trustee, a budget setting forth the estimated Maintenance and Operation Costs and the estimated payments for Debt Service for the then current Fiscal Year which budget shall provide for the collection of Revenues and Net Revenues sufficient to satisfy the requirements of the Rate

Covenant; provided, that any such budget may be amended at any time during any Fiscal Year, and shall be amended if necessary to satisfy the requirements of the Rate Covenant.

(c) Provision of Solid Waste Services. The County, to the extent permitted by law, will use its best efforts and take whatever actions are within the scope of its powers at all times to provide solid waste disposal and processing services within the service area of the Solid Waste System. The County shall not abandon the Solid Waste System and shall continue to provide solid waste disposal capacity sufficient to enable it to comply with the 2018 Installment Purchase Contract; provided, that, the County may provide such capacity by making available transfer and/or disposal facilities owned and operated by the County or by making contractual or other arrangements for the use of transfer and/or disposal facilities (either inside or outside the geographic boundaries of the County) owned or operated by persons other than the County. In the event of loss or damage to any material portion of the Solid Waste System or the occurrence of any other event which prevents the County from accepting solid waste at the facilities or the Solid Waste System, the County will use its best efforts to take whatever actions are within its powers to provide other facilities or services necessary to provide the solid waste management services necessary to maintain Net Revenues as required under the 2018 Installment Purchase Contract.

(d) Flow Control. The County shall, to the extent permitted by law, use its best efforts and take whatever actions are within the scope of its powers to ensure that sufficient solid waste is processed and disposed of through the Solid Waste System to generate Net Revenues as required by the 2018 Installment Purchase Contract.

(e) Insurance. The 2018 Installment Purchase Contract provides that the County will procure and maintain, or cause to be procured and maintained, such insurance relating to the Solid Waste System which it shall deem advisable or necessary to protect its interests and the interests of the Corporation and the Trustee, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal solid waste disposal systems similar to the Solid Waste System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal solid waste disposal systems similar to the Solid Waste System and is, in the opinion of an Insurance Consultant, financially sound. All policies of insurance required to be maintained under the 2018 Installment Purchase Contract shall provide that the Corporation and the Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby. The County intends to satisfy its obligation to provide insurance through insurance provided by the TRRP Contractor (or subcontractors) pursuant to the TRRP Contract. See "THE TAJIGUAS RESOURCE RECOVERY PROJECT – TRRP Contract."

(f) Covenants Against Sale or Other Disposition. The County will not sell, lease or otherwise dispose of the Solid Waste System or any part thereof essential to the proper operation of the Solid Waste System or to the maintenance of the Net Revenues, and will not enter into any agreement or lease which would impair the operation of the Solid Waste System or any part thereof necessary to secure adequate Net Revenues for the payment of the 2018 Installment Payments, or which would otherwise impair the rights of the Corporation with respect to the Net Revenues or the operation of the Solid Waste System; provided, that any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Solid Waste System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Revenues below the requirements to be maintained pursuant to the Rate Covenant.

(g) Replacement Operator. No later than one year prior to the termination date of a contract for the operation of the MRF or ADF for which the County does not plan to exercise an option to extend the contract, the County is required to either (i) initiate a process for identifying a new company that is experienced in the operations of solid waste enterprises like the Solid Waste System or (ii) initiate a process for assuming responsibility for managing the Solid Waste System itself.

(h) Landfill Capacity. Commencing in 2026, the County is required to annually evaluate the remaining capacity of the Tajiguas Landfill. If the County determines that the Tajiguas Landfill is expected to reach its remaining capacity prior to the final Certificate Payment Date, then the County is required to set forth a plan to consider alternative disposal and/or diversion arrangements. (The County also entered into a conditional settlement with the Gaviota Coast Conservancy whereby the Gaviota Coast Conservancy agreed to dismiss its litigation if, in part, the County adopted a resolution stating that it would begin to seek locations other than the Gaviota Coast for solid waste residual disposal, when seven years of remaining disposal capacity is reached. See “THE TAJIGUAS RESOURCE RECOVERY PROJECT – Gaviota Settlement.”).

See APPENDIX C-“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Schedule of 2018 Installment Payments

The following table contains the schedule of payments payable by the County pursuant to the 2018 Installment Purchase Contract.

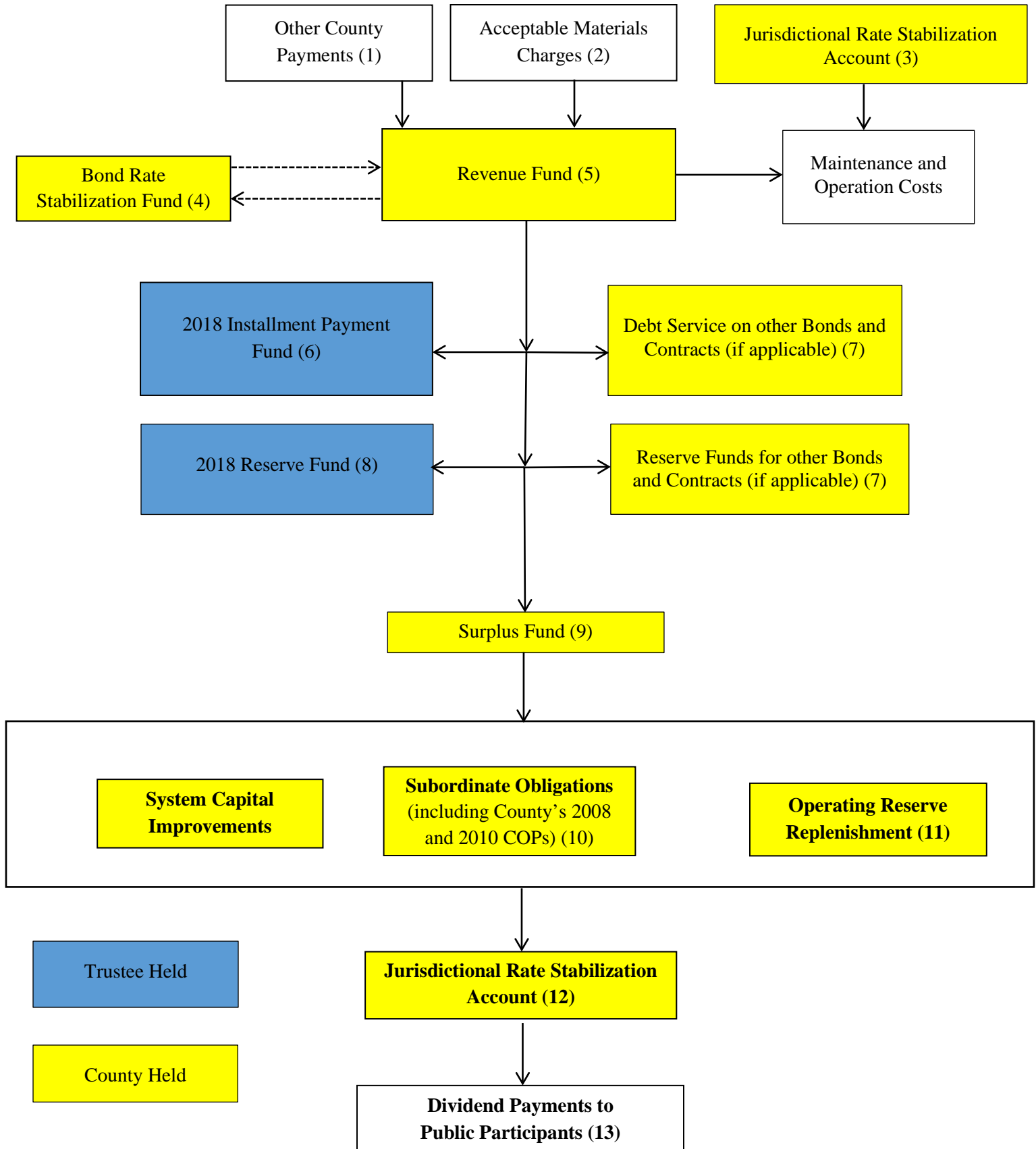
Debt Service Schedule

	2018A Certificates		2018B Certificates		2018C Certificates		
Payment Date	Principal Component	Interest Component	Principal Component	Interest Component	Principal Component	Interest Component	Total Payments

FLOW OF FUNDS DIAGRAM

The diagram on the following page illustrates in a summary fashion the flow of certain funds pursuant to the Delivery Agreements, 2018 Installment Purchase Agreement and the Indenture and is not intended to be a complete or definitive description of the flow of funds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates” and “THE SOLID WASTE SYSTEM – Delivery Agreements” for a more detailed description.

County of Santa Barbara
Solid Waste System Revenue Certificates of Participation
Flow of Funds
(See Notes on following page)



Notes to Flow of Funds Diagram

(1) Represents payments by County of amounts not permitted to be included in the Acceptable Materials Charge pursuant to the Delivery Agreements. See “THE SOLID WASTE SYSTEM – Delivery Agreements.”

(2) Represents amounts paid (i) by the Public Participants pursuant to the Delivery Agreements, and (ii) by MarBorg Industries pursuant to the MarBorg-Buellton Delivery Contract (see “THE SOLID WASTE SYSTEM – City of Buellton”) and the MarBorg Disposal Services Agreement (see “THE SOLID WASTE SYSTEM – Self-Hauled Materials”)

(3) Represents payments from the Jurisdictional Rate Stabilization Fund. See “THE SOLID WASTE SYSTEM – Delivery Agreements - Jurisdictional Rate Stabilization Fund.”

(4) Represents deposits into and withdrawals from the Bond Rate Stabilization Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – Bond Rate Stabilization Fund.”

(5) Represents the Revenue Fund, established pursuant to the 2018 Installment Purchase Contract and held by the County. “See SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – 2018 Installment Purchase Contract.”

(6) Represents the Installments Payment Fund established pursuant to the 2018 Trust Agreement. See “APPENDIX C” - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

(7) Represents amounts payable with respect to additional Bonds and Contracts, if any. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – Additional Bonds and Contracts.” The 2018 Installment Purchase Contract and the 2018 Trust Agreement do not require the establishment of reserve funds for any additional Bonds or Contracts.

(8) Represents the Debt Service Reserve Fund established pursuant to the 2018 Trust Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – Debt Service Reserve Fund.”

(9) Represents the Surplus Fund established pursuant to the 2018 Installment Purchase Contract to be held by the County.

(10) Represents payments pursuant to subordinate obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – 2018 Installment Purchase Contract” and “-Existing Unsecured Obligation Payable From Revenues of the Solid Waste System.”

(11) Represents replenishment of the Operating Reserve established pursuant to the Delivery Agreement and held by the County. See “THE COUNTY SYSTEM – Delivery Agreements.”

(12) Represents the Jurisdictional Rate Stabilization Fund established pursuant to the Delivery Agreements and held by the County. See “THE COUNTY SYSTEM – Delivery Agreements - Jurisdictional Rate Stabilization Fund.”

(13) Represents dividend payments made by the County to the Public Participants pursuant to the Delivery Agreements. See “THE COUNTY SYSTEM – Delivery Agreements - Jurisdictional Rate Stabilization Fund.”

THE SOLID WASTE SYSTEM

The following is a summary overview of the existing Solid Waste System, including waste collection practices of the County and the Public Participants, and the TRRP. A significant portion of the following section has been excerpted from the Feasibility Report. The Feasibility Report should be read in its entirety. See APPENDIX A – “FEASIBILITY REPORT.”

General

The County currently provides for management of solid waste generated within the service area described below through collection contracts (in the unincorporated area of the County), recycling programs for commingled recyclables and green-waste collection (in the unincorporated area of the County), programs for residential and small business hazardous waste, pharmaceutical collection, electronic waste collection and recycling, education, the operation of four recycling and transfer stations, the operation of one household hazardous waste collection center, operation of the Tajiguas Landfill, and management of nine closed landfills. See “—Existing Facilities.”

Service Area

Municipal solid waste currently delivered to the Tajiguas Landfill is generated by residents and businesses in the cities of Buellton, Goleta, Santa Barbara, and Solvang, the unincorporated areas of southern Santa Barbara County and the Santa Ynez and Cuyama Valleys.

Waste generated in Lompoc, Guadalupe, and Santa Maria and other portions of the unincorporated area do not utilize solid waste services provided through the Solid Waste System. See “—Alternative Facilities.”

Organization and Management

The Solid Waste System is managed by the County Department of Public Works, Resource Recovery and Waste Management Division (the “Department”). The Department is also responsible for administering the franchise agreements for the collection of solid waste materials from residents and businesses in the unincorporated areas of the County by private solid waste collection firms, as well as the enforcement of local solid waste management ordinances. All solid waste management activities are funded through the Resource Recovery Enterprise Fund (as more particularly described herein).

The Department is managed by a director, who reports to the County Board of Supervisors.

The Department Director is supported by a Deputy Director whose duties include technical resources, advanced planning, regulatory compliance, monitoring and reporting, community education and public outreach and oversight of the franchised hauler system. An Engineering/Operations Manager oversees all landfill and recycling/transfer station operations. Another Engineering/Permitting Manager is responsible for the design and construction of Solid Waste System facilities as well as permitting of existing facilities. A Materials Management Manager oversees the implementation and ongoing administration of community programs such as management of hazardous waste, sharps and pharmaceuticals collection programs, a hazardous waste collection center, public outreach and education, and administration of the franchised solid waste collection system as well as preparation of planning and reporting documents required by CalRecycle. A Waste Water System Manager oversees all functions of the Wastewater Division. The Business Manager is responsible for the Department budget and day-to-day financial management. The Department has 78.25 authorized permanent positions.

The Department also administers the County Integrated Waste Management Plan (“CIWMP”) Local Task Force (“LTF”). An LTF is required by State law and is responsible for coordinating the source reduction

and recycling efforts of the County and cities and the countywide siting element of the CIWMP. The membership of the LTF includes a representative from each of the eight cities in the County as well as a representative of the County of Santa Barbara and one representative for County Special Districts, two community members at large, and a solid waste industry representative. The LTF meets quarterly and provides comments on proposed programs and facilities, as required by California law.

Existing Solid Waste System

Following is a description of existing components of the Solid Waste System. As described in the Feasibility Report, these existing components provide solid waste management services within the service area of the Solid Waste System. In addition to the facilities within the Solid Waste System, a portion of the waste stream generated within the Solid Waste System has historically been delivered to a privately owned and operated transfer station.

Communities in northern Santa Barbara County outside the service area of the Solid Waste System dispose of their waste at the City of Lompoc and Santa Maria landfills outside of the Solid Waste System. See “—Alternate Facilities.” See APPENDIX A – “FEASIBILITY REPORT.”

Recycling and Transfer Facilities. The Department currently owns and operates four recycling and waste transfer stations in the County. These recycling and transfer stations consist of the South Coast Recycling and Transfer Station, the Santa Ynez Valley Recycling and Transfer Station, and the New Cuyama and Ventucopa transfer stations, which are located in less populated areas of Northeastern Santa Barbara County. The County facilities remove items from the waste stream that can be reused, recycled and marketed. A map of the locations of these facilities within the County is included in the Feasibility Report. The County currently delivers recyclable materials delivered to the South Coast Recycling and Transfer Station and Santa Ynez Valley Recycling and Transfer Station to a processing facility outside of the Solid Waste System. Upon commencement of operations at the TRRP, these materials will be delivered to the TRRP. See APPENDIX A – “FEASIBILITY REPORT.”

Tajiguas Landfill. Non-recycled materials generated by the Public Participants, the City of Buellton and the portion of the unincorporated area within the service area of the Solid Waste System are disposed at the Tajiguas Landfill. In addition to receiving waste directly delivered by the public and private hauling companies, the Tajiguas Landfill receives non-recyclable waste from the recycling and transfer facilities within the Solid Waste System.

The Tajiguas Landfill is a Class III non-hazardous solid waste disposal facility located in the County, approximately 26 miles west of the City of Santa Barbara. The Tajiguas Landfill is owned and operated by the County. The Tajiguas Landfill encompasses 497 acres, with a permitted operational area of 357 acres, a total permitted waste footprint of 118 acres, and a permitted capacity of 23.3 million cubic yards.

The permitted disposal capacity of the Tajiguas Landfill (23.3 million cubic yards) is currently projected to be exhausted in approximately 2026. With the reduction in landfill disposal projected to result from the enhanced processing and composting expected to result from the TRRP, the permitted disposal capacity is projected to be exhausted in approximately 2036 based on current projections of materials delivery to the Tajiguas Landfill. Pursuant to the 2018 Installment Purchase Contract, commencing in 2026, the County is required to annually evaluate the remaining capacity of the Tajiguas Landfill. If the County determines that the Tajiguas Landfill is expected to reach its remaining capacity prior to the final Certificate Payment Date, then the County is required to set forth a plan to consider alternative disposal and/or diversion arrangements. When the Tajiguas capacity is exhausted, the County is obligated pursuant to the 2018 Installment Purchase Contract to arrange for an alternate disposal facility for the disposal of solid waste from the Public Participants. See ‘CERTAIN RISK FACTORS – Disposal Capacity.’ As described herein, the TRRP is expected to provide for enhanced processing of materials delivered to the Solid Waste System and extend the life of the Tajiguas Landfill. See “THE TAJIGUAS RESOURCE RECOVERY PROJECT.”

Failure of the TRRP to achieve the anticipated diversion goals could materially reduce the life of the Tajiguas Landfill and require the County to make alternative arrangements on an accelerated basis. There can be no assurances that such circumstances would not materially adversely affect the financial condition of the Solid Waste System.

Closed Landfills. The Solid Waste System includes nine closed landfills throughout the County. The County is responsible for closure and post-closure costs with respect to the landfills in the Solid Waste System. See “REGULATION – California Integrated Waste Management Act of 1989 – Closure and Post-Closure Costs and Liabilities.” See Appendix A – “Feasibility Report” for a discussion of the status of funding of the closed landfills within the Solid Waste System as well as the Tajiguas Landfill.

The projected costs of closure, post-closure, monitoring and remediation have been included in the Projected Operating Results included in the Feasibility Report. Although the County believes that the monitoring and remediation activities effectively address the contamination issues, there can be no assurances that significant additional capital and/or Maintenance and Operation Costs will not be incurred in the future. Pursuant to the Delivery Agreements, costs attributable to post-closure maintenance of the closed landfills and certain other costs may not be included in the calculation of the Acceptable Materials Charge payable by the Public Participants (and an affiliate of MarBorg Industries with respect to the MarBorg-Buellton Delivery Contract). The County does not expect these costs will result in significant differences between the Acceptable Materials Charge imposed with respect to solid waste and other materials generated within the unincorporated area. See “—Delivery Agreements.”

Hazardous Waste Collection. The Solid Waste System includes a Community Hazardous Waste Collection Center managed by the Department and jointly sponsored by the County of Santa Barbara and the Cities of Goleta and Santa Barbara. In addition, the Santa Ynez Valley Recycling and Transfer Station collects antifreeze, vehicular batteries, motor oil, oil filters, and latex paint from households (no businesses) on Saturdays.

Certain Environmental Conditions in the Solid Waste System. In 2016, the County settled two claims of alleged Clean Water Act violations, one at the South Coast Recycling and Transfer Station and one at the Santa Ynez Valley Recycling and Transfer Station. Under the settlements, the County has ongoing obligations that include capital improvements totaling approximately \$1.4 million and the implementation of additional operational requirements at the facilities. Also, the South Coast Recycling and Transfer Station settlement is subject to the ongoing jurisdiction of the United States District Court, Central District of California.

In addition, at several closed landfills within the Solid Waste System, incidents of groundwater contamination have been discovered from time to time. The County has implemented monitoring and remediation activities (consisting primarily of landfill gas extraction systems) as required under state law. Currently, one of the closed landfills is the subject of an order from the Regional Water Quality Control Board which required the County to implement certain remediation activities, including the installation of additional monitoring wells to document the groundwater contamination.

Tipping Fees. The per-ton fee imposed by the County for disposal and processing at the Tajiguas Landfill through the Solid Waste System in Fiscal Year 2015-16 was \$87 per ton, and increased to \$99 per ton in Fiscal Year 2017-18, and to \$102 per ton for Fiscal Year 2018-19. As shown in the Projected Operating Results in the Feasibility Report, as a result of the implementation of the TRRP, the tipping fee is projected to increase to \$150 per ton in Fiscal Year 2019-20, and then increase by approximately 3.5% each year thereafter while the 2018 Certificates are Outstanding. See APPENDIX A – “FEASIBILITY REPORT.”

Waste Collection Practices in the Solid Waste System

The following is a brief description of the waste collection arrangements by the County and the Public Participants. The private contractors which collect materials in the Public Participants’ jurisdictions and in the

unincorporated area of the County within the service area of the Solid Waste System are referred to herein as “Collection Contractors.” For a more extensive discussion, see Appendix A – “FEASIBILITY REPORT.”

Waste Collection in the Unincorporated Areas of the County in the Solid Waste System Service Area. The County has entered into exclusive franchise agreements with private hauling companies to provide the regular collection of waste, commingled recyclables, and green waste from residents and businesses in the unincorporated area of the County in the Solid Waste System service area. (However, as described herein, use of the County-provided waste collection service by residences and commercial establishments in the unincorporated areas of the County is not mandatory.) Each of these contracts requires that the waste hauler deliver materials that it collects to a processing or disposal location designated by the County. (See “—Service Area” for a description of the portions of the unincorporated areas which are within the Solid Waste System service area. Waste in the unincorporated areas of the County around the cities of Lompoc and Santa Maria is not required to be delivered to the Solid Waste System and is currently delivered to the City of Lompoc and City of Santa Maria landfills.)

For the collection of bulky, construction related, or large quantities of organic refuse, the County has designed a collection system by issuing permits to a limited number of businesses who are allowed to collect this irregularly generated material with roll-off containers from customers in the unincorporated area of the County. The Department manages the permit program and currently does not designate where the material is to be processed or disposed. The majority of this waste is currently collected by MarBorg Industries and is sorted at a facility owned and operated by MarBorg Industries and the residual waste is delivered to the Tajiguas Landfill for disposal. See “—Self-Hauled Materials” below.

Residences and businesses in the unincorporated area of the County have the option to subscribe to trash collection service or to self-haul their waste material. While materials collected by Collection Contractors in the unincorporated area are required to be delivered to the Solid Waste System as described above, residences and businesses which self-haul their waste and other materials can deliver such waste and other materials to a processing or disposal location of their choosing. The Feasibility Report describes potentially available alternate facilities. See “—Alternate Facilities” and “CERTAIN RISK FACTORS – Competition.” In the unincorporated area, the Board of Supervisors annually sets rates for the provision of solid waste collection services, and the Collection Contractors bill residential and business customers directly on a monthly basis. The Collection Contractors are then responsible for payment to the County of the Acceptable Materials Fees for use of the Solid Waste System.

Waste Collection in the Cities in the Solid Waste System Service Area. Each of the Public Participants and the City of Buellton makes its own arrangements for solid waste collection. The Public Participants all have franchise agreements for the hauling of solid waste, recyclables and green waste. Following is a discussion of these collection arrangements.

City of Santa Barbara. As described in the Feasibility Report, franchised solid waste accounts for approximately 19% of the materials projected to be delivered to the Solid Waste System by the Collection Contractor for the City of Santa Barbara. Other franchised material in the form of green waste, food waste, and recyclables accounts for roughly 10% of the materials projected to be delivered to the Solid Waste System on behalf of the City of Santa Barbara placing the total amount at approximately 29% (all franchised materials from the City of Santa Barbara total approximately 93,945 tons per year). MarBorg Industries is the Collection Contractor in the City of Santa Barbara. Residences and commercial establishments in the City of Santa Barbara are required to utilize collection service. In the City of Santa Barbara, the City establishes the charges imposed and directly charges its ratepayers (along with water and sewage treatment services) on a monthly basis and reimburses the Collection Contractor for its costs including payments to the County for processing or disposal of waste.

City of Goleta. As described in the Feasibility Report, franchised solid waste accounts for approximately 7% of the materials projected to be delivered to the Solid Waste System by the Collection

Contractor for the City of Goleta. Other franchised material in the form of green waste, food waste, and recyclables accounts for roughly 3.6% of the materials projected to be delivered to the Solid Waste System on behalf of the City of Goleta placing the total amount at approximately 10.6% (all franchised materials from the City of Goleta total approximately 33,717 tons per year). MarBorg Industries is the Collection Contractor in the City of Goleta. Residences and commercial establishments in the City of Goleta are required to utilize collection service. The Collection Contractor bills residential and business customers directly on a monthly basis. The Collection Contractor is then responsible for payment to the County of the Acceptable Materials Fees for use of the Solid Waste System.

City of Solvang. As described in the Feasibility Report, franchised solid waste accounts for approximately 1% of the materials projected to be delivered to the Solid Waste System by the Collection Contractor for the City of Solvang. There are no other franchised materials committed to this project on behalf of the City of Solvang. A subsidiary of Waste Management Inc. serves as the Collection Contractor for the City of Solvang. Solid waste collection service is not mandatory in the City of Solvang, and residences and commercial establishments may elect to self-haul their waste. However the transfer station that serves the City of Solvang is part of the County Solid Waste System. The Collection Contractor bills residential and business customers directly on a monthly basis. The Collection Contractor is then responsible for payment to the County of the Acceptable Materials Fees for use of the Solid Waste System.

City of Buellton. As described in the Feasibility Report, franchised solid waste accounts for approximately 1% of the materials projected to be delivered to the Solid Waste System by the Collection Contractor for the City of Buellton. Other franchised material in the form of green waste, food waste, and recyclables accounts for roughly 0.75% of the materials projected to be delivered to the Solid Waste System on behalf of the City of Buellton placing the total amount at approximately 1.75% (all franchised materials from the City of Buellton total approximately 5,610 tons per year). MarBorg Industries is the Collection Contractor in the City of Buellton. The City of Buellton is not entering into a Delivery Agreement. MarBorg Industries has entered into a Materials Delivery Commitment & Processing Services Agreement, dated as of November 17, 2016 (the “MarBorg-Buellton Delivery Contract”) pursuant to which MarBorg Industries has agreed to deliver to the Solid Waste System materials which it collects within Buellton pursuant to its franchise arrangement with the City. The MarBorg-Buellton Delivery Contract and MarBorg Industries’ collection contract with the City of Buellton expire in 2027. After termination of the MarBorg-Buellton Delivery Contract, there can be no assurances that materials from the City of Buellton will continue to be delivered to the Solid Waste System. In addition, residences and commercial establishments in the City of Buellton are not required to utilize collection service, and residences and commercial establishments may elect to self-haul their waste. However the transfer station that serves the City of Buellton is part of the County Solid Waste System. The Collection Contractor bills residential and business customers directly on a monthly basis. The Collection Contractor is then responsible for payment to the County of the Acceptable Materials Fees for use of the Solid Waste System.

Self-Hauled Materials. Currently, approximately 32% of the solid waste and other materials projected to be delivered to the Solid Waste System is generated from residences and commercial establishments which do not utilize Collection Contractors and self-haul their material or have hired unscheduled hauling services (used for construction or irregularly scheduled clean ups).

A significant portion of these self-hauled and other materials are delivered to a facility owned and operated by MarBorg Industries located in the City of Santa Barbara (the “MarBorg Facility”). The County has entered into a Disposal Services Agreement with MarBorg Industries, dated November 29, 2016 (the “MarBorg Disposal Services Agreement”) pursuant to which MarBorg Industries agrees to deliver residual materials from the MarBorg Facility to the Solid Waste System. The MarBorg Disposal Services Agreement terminates on December 31, 2038. The MarBorg Disposal Services Agreement provides that materials delivered by MarBorg Industries are expected to be charged a discounted rate (below the otherwise applicable Acceptable Materials Charge). This discount is reflected in the Projected Operating Results. Approximately 16% of the solid waste and other materials projected to be delivered to the Solid Waste System is expected to

be delivered by MarBorg Industries pursuant to the MarBorg Disposal Services Agreement. The remaining portion of the self-hauled waste and other materials projected to be delivered to the Solid Waste System (constituting the portion of the self-haul waste and materials not projected to be delivered pursuant to the MarBorg Disposal Services Agreement, expected to be approximately 16% of the total waste and other materials projected to be delivered to the Solid Waste System) is not required to be delivered to the Solid Waste System pursuant to any contract or agreement.

Non-County Owned Processing Facilities. A limited amount of recyclable materials generated in the service area of the Solid Waste System and collected by Collection Contractors are currently being delivered to processing facilities outside of the Solid Waste System. Commencing with the full operation of the TRRP, estimated to be in November 2020, pursuant to the Delivery Agreements, all of these materials will be required to be delivered to the Solid Waste System except for commingled recyclables and green waste from the City of Solvang and green waste from the City of Buellton which will continue to be managed outside of the Solid Waste System.

Summary. Pursuant to the Delivery Agreements, since July 2017, the County has been providing solid waste management services at the existing Solid Waste System. In addition, the Public Participants have been making required deliveries to the Solid Waste System and paying Acceptable Material Charges in a timely manner. As more particularly described in the Feasibility Report, approximately 84% of the waste and other materials expected to be delivered to the Solid Waste System as set forth in the Projected Operating Results is expected to be delivered pursuant to the Delivery Agreements, the MarBorg Disposal Services Agreement and the MarBorg-Buellton Delivery Agreement. Nonetheless, in the event alternate facilities represent a more economical site for the processing and/or disposal of significant portions of the waste and other materials projected to be delivered to the Solid Waste System, there can be no assurances that such circumstances will not materially adversely affect the financial condition of the Solid Waste System. See “—Alternate Facilities” and “CERTAIN RISK FACTORS – Rate Covenant Not a Guarantee” and –Competition.”

Delivery Agreements

In connection with the implementation of the TRRP and the execution and delivery of the 2018 Certificates, the County and the Public Participants have entered into the Delivery Agreements. Following is a summary of certain provisions of the Delivery Agreements.

Service Covenant. The County is required to provide or cause the provision of the service of receiving and processing, treating, and/or disposing of Acceptable Materials from the Public Participants at the Solid Waste System.

The Delivery Agreements provide that, in the event an uncontrollable circumstance occurs which prevents processing of materials by the TRRP and disposal in the Tajiguas Landfill, the County shall continue to provide disposal capacity sufficient to enable it to comply with the terms of the Delivery Agreements; provided, that, the County may provide such capacity by making available transfer and/or disposal facilities owned and operated by the County or by making contractual or other arrangements for the use of transfer and/or disposal facilities (either inside or outside the geographic boundaries of the County) owned or operated by persons other than the County. In the event of loss or damage to any material portion of the Solid Waste System or the occurrence of any other event which prevents the County from accepting solid waste at the facilities or the Solid Waste System, the County will use reasonable business efforts to take whatever actions are within its powers to provide other facilities or services necessary to provide the solid waste management services necessary to maintain Net Current Revenues and Net Revenues as required under the 2018 Installment Purchase Contract. If the efforts necessary to replicate the performance of the TRRP are not economically feasible based on the Current Revenues and any available insurance proceeds, the County is required to convene a meeting of the Operating Committee (described below) to discuss the options available to provide disposal and processing services that most closely replicate the performances of the TRRP within the limits of the Current Revenues and any available insurance proceeds.

Acceptable Materials Charge. The Delivery Agreements provide that, notwithstanding anything to the contrary contained in the Delivery Agreements, the County will establish, and each Public Participant will pay, a per-ton charge (the “Acceptable Materials Charge”) which, in the aggregate, shall be sufficient to generate Revenues (after taking into account revenues from the sale of Recyclable Materials, the proceeds of insurance and Current Revenues and other receipts) in an amount at least equal to all amounts required to be paid or incurred by the County to provide the solid waste management services required by the Delivery Agreements, to meet the requirements of the 2018 Installment Purchase Contract (including the Rate Covenant) and the 2018 Trust Agreement, and to replenish any reserves established under the Delivery Agreements. The Delivery Agreements also provide formulas for the sharing of revenues resulting from the sale of recovered materials.

In addition, as shown in the projected operating results contained in the Feasibility Report, the County currently expects that the Acceptable Materials Charges payable by the Public Participants will be set by the County each Fiscal Year at the minimum level necessary to comply with the Rate Covenant. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 CERTIFICATES - Rate Covenant.” In the event that actual results for any Fiscal Year differ adversely from the County’s assumptions for that Fiscal Year, in order to comply with the Rate Covenant for that Fiscal Year, the County may be required to utilize amounts on deposit in the Bond Rate Stabilization Fund, if any, to satisfy the Rate Covenant. On the date of execution and delivery of the 2018 Certificates, the County shall deposit \$5,000,000 into the Bond Rate Stabilization Fund. However, in the event that such funds are utilized at the discretion of the County, the County is not required to replenish amounts in the Bond Rate Stabilization Fund. See SECURITY AND SOURCES OF PAYMENT FOR THE 2018 CERTIFICATES - Bond Rate Stabilization Fund.”

Waste Delivery Covenant. Commencing on July 1, 2017, the Public Participants have been required to deliver or direct their respective Collection Contractor to deliver to the System all Acceptable Materials that the Collection Contractors collect under their respective contracts with the Public Participants. In addition, pursuant to MarBorg-Buellton Delivery Contract, MarBorg Industries is obligated to deliver to the Solid Waste System all Acceptable Materials that MarBorg Industries collects in the City of Buellton under its contract with the City of Buellton.

“Acceptable Materials,” means all of the materials delivered to the Solid Waste System by the Collection Contractor(s), Public Participants (or on behalf of Public Participants), and other users as permitted under applicable law and the permits for facilities in the Solid Waste System, including mixed waste, source-separated organic materials and source-separated recyclable materials.

“Collection Contractor,” means anyone that collects Acceptable Materials for the Public Participant by any or all of the following: (1) contract (including franchise contracts); (2) license; (3) permit; and, (4) any other obligation. Public Participants shall also pay or cause their respective Collection Contractor(s) to pay the then-applicable monthly service payment based on the Acceptable Materials Charge established pursuant to the Delivery Agreement. The delivery obligation of each Public Participant pursuant to the Delivery Agreements is referred to as the “Delivery Covenant.”

“System Costs,” means all reasonable and necessary costs paid or incurred by the County for maintaining and operating the Solid Waste System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Solid Waste System in good repair and working order, state mandated surcharges, and the annual costs of any permits or licenses, but excluding debt service costs, and including all administrative costs of the County that are charged directly or apportioned to the operation of the Solid Waste System, such as salaries, wages, and pension and other post-employment benefits of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the County or charges required to be paid by the County to comply with the terms of the Delivery Agreements or of any resolution authorizing the issuance of any Certificates or of such Certificates, or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Certificates or contracts and fees and expenses of independent certified public

accountants and independent engineers, insurance consultants, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles and intergovernmental transfers by the County which are not reimbursements or payments for overhead or other administrative expenses incurred by the County. System Costs do not include payments by the County from funds in the Jurisdictional Rate Stabilization Fund (i) to the Public Participants pursuant to the terms and provisions of the Delivery Agreements, and (ii) to the TRRP Contractor.

In order to meet the Delivery Covenant, each Public Participant agrees to maintain collection franchises or other contractual arrangements (or utilize municipal collection) to manage collection of all Acceptable Materials generated within its jurisdiction while the 2018 Certificates are outstanding. (However, as described in “- Waste Collection Practices in the Solid Waste System,” use of collection services from the Collection Contractor is not mandatory in the City of Solvang, the City of Buellton and the portion of the unincorporated area in the service area of the Solid Waste System.) Each such franchise or contract shall require, as a condition of the franchise or contract, that the Collection Contractor delivers Acceptable Materials which it collects to the Solid Waste System, or to alternate facilities designated by the County in the event the Solid Waste System is unavailable for any reason. Each Public Participant must require in agreements with its Collection Contractor as well as any permits, licenses or other regulatory instruments allowed under law an obligation of the Collection Contractor to deliver to the Solid Waste System Acceptable Materials that it collects under its collection contract with the Public Participant.

The Delivery Agreements specify minimum annual delivery requirements for each of the Public Participants, and require the payment of a shortfall charge equal to the Acceptable Material Charge for each ton short of each Participants Minimum Delivery Commitment in the event the minimum delivery requirements are not met. See the Feasibility Report for a description of the minimum delivery commitments of each of the Public Participants.

As described in the Feasibility Report, approximately 16% of waste and other materials projected to be delivered to the Solid Waste System is not legally or contractually required to be delivered to the Solid Waste System. See “- Waste Collection Practices in the Solid Waste System” and “—Alternate Facilities.”

Jurisdictional Rate Stabilization Fund. The Delivery Agreements provide for the establishment and maintenance of a Jurisdictional Rate Stabilization Fund. (Amounts in the Jurisdictional Rate Stabilization Fund are not pledged for payment of 2018 Installment Payments or debt service with respect to the 2018 Certificates.) The County is required to deposit into the Jurisdictional Rate Stabilization Fund amounts held in the Surplus Fund (as established under the 2018 Installment Purchase Agreement) net of (i) payment of subordinate obligations; (ii) capital improvements of the Solid Waste System; (iii) any replenishment of the Operating Reserve; and (iv) the payment by or reimbursement of revenue to the County of any non-TRRP expenses or revenues that the County is responsible for pursuant to the Delivery Agreements. Deposits are required to be made to the Jurisdictional Rate Stabilization Fund until a minimum deposit of \$3 million is achieved.

If at the end of any fiscal year, the Jurisdictional Rate Stabilization Fund exceeds \$3.5 million, the Public Participants will receive a dividend to return the fund to \$3 million. The amount of the dividend each Public Participant will receive will be based upon the actual amount and type of materials delivered to the Solid Waste System in the given year. (Pursuant to the Delivery Agreements, “Operating Reserve” means the minimum balance of ten million dollars (\$10,000,000) to be maintained within the County Resource Recovery Enterprise Fund or other fund established by the County necessary to operate the Solid Waste System, which includes the TRRP. Such minimum balance shall be consistent with the County Resource Recovery Enterprise Fund Reserve Policy adopted by the County on December 13, 2016 (which among other things, provides that the Resource Recovery Enterprise Fund should have a general operating balance equal to 180 days of operating expenses).

Amounts in the Jurisdictional Rate Stabilization Fund may be used to offset financial shortfalls (either higher than projected costs or lower than projected revenues) related to the TRRP. If amounts in the Jurisdictional Rate Stabilization Fund are used due to costs not related to the TRRP but rather related to non-TRRP costs, the Fund will be replenished with Current Revenues from the County or unreserved retained earnings of the Solid Waste System. The 2018 Installment Purchase Contract provides for the establishment of the Bond Rate Stabilization Fund, which is separate and apart from the Jurisdictional Rate Stabilization Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – Bond Rate Stabilization Fund.”

Term. The Delivery Agreements terminate December 31, 2038; provided, however in no event shall the Delivery Agreements terminate while any 2018 Certificates are outstanding.

Annual Budget; Adjustment to Acceptable Materials Charge. Pursuant to the Delivery Agreements, each January, the County is required to distribute to the Public Participants a draft Annual Budget for the Solid Waste System for the next fiscal year. The Annual Budget is required to contain an estimate of the Current Revenues and System Costs payable from Current Revenues for the ensuing fiscal year (beginning on July 1). The Annual Budget will disaggregate the cost and revenue components into three categories including TRRP Contractor cost, debt service cost, and Solid Waste System Costs. The Annual Budget will also contain an estimate of the amount of Acceptable Materials expected to be delivered to the System in such Fiscal Year, and the resulting Acceptable Materials Charge required to be imposed in order for the County to meet the requirements of the 2018 Installment Purchase Contract and the 2018 Trust Agreement.

The Delivery Agreements provide that if the proposed change in the Acceptable Materials Charge set forth in the Annual Budget is equal to or less than seven and one-half percent (7.5%), each Public Participant is required to adjust collection rates a commensurate amount and direct its Collection Contractor to pay the corresponding monthly service payment.

For increases in the Acceptable Materials Charge on and after July 1, 2020, if the change in the Acceptable Materials Charge is greater than seven and one-half percent (7.5%), or the cumulative adjustments total fifteen percent (15%) or more in the past three (3) consecutive years, and if two-thirds of the Public Participants representing at least two-thirds of the annual amount of Acceptable Materials delivered during the previous year object to the rates proposed by the County, the Operating Committee (described below) shall be convened and shall be charged with establishing rates sufficient to generate (after taking into account revenues from the sale of Recyclable Materials, the proceeds of insurance and other receipts), Net Current Revenues during each Fiscal Year equal to 100% of Debt Service for such Fiscal Year, Net Revenues during each Fiscal Year equal to one hundred fifty percent (150%) of the Debt Service for such Fiscal Year plus, in each case, all other amounts required to be paid by the County to provide the services set forth in the Delivery Agreement and to meet the requirements of the 2018 Installment Purchase Contract and the 2018 Trust Agreement.

“Operating Committee” means a committee comprised of each Public Participant (including the County). Each Public Participant (including the County) will be allocated one representative on the Operating Committee. Any vote taken by the Operating Committee requires two-thirds of the Public Participants representing at least two-thirds of the annual amount of Acceptable Materials delivered during the previous year.

If two-thirds of the total votes of the Operating Committee that represents at least two-thirds of the annual amount of Acceptable Materials delivered during the previous year vote to adopt the rates proposed by the Operating Committee, such rates shall be utilized. The Delivery Agreement provides that the rates proposed by the Operating Committee must establish rates sufficient to generate (after taking into account revenues from the sale of Recyclable Materials, the proceeds of insurance and other receipts), Net Current Revenues during each Fiscal Year equal to 100% of Debt Service for such Fiscal Year, Net Revenues during each Fiscal Year equal to one hundred fifty percent (150%) of the Debt Service for such Fiscal Year plus, in each case, all other amounts required to be paid by the County to provide the services set forth in the Delivery

Agreements and to meet the requirements of the 2018 Installment Purchase Agreement and the 2018 Trust Agreement. If at least two-thirds of the Public Participants representing two-thirds of the annual amount of Acceptable Materials delivered during the previous year do not approve such alternate rates, or should the alternate rates not be approved by the Operating Committee within forty five (45) Days of convening the Operating Committee, then the initial rates proposed by the County shall be approved. The resolution of the Acceptable Materials Charge must be complete by April 1 before the July 1 effective date.

Resource Recovery Enterprise Fund Reserve Policy. On December 13, 2016, the County Board of Supervisors adopted a reserve policy with respect to the Resource Recovery Enterprise Fund, which among other things, provides that the Resource Recovery Enterprise Fund should have a general operating balance equal to 180 days of operating expenses. The policy is not a legal obligation of the County and may be changed in the future at the County's discretion. Maintenance of this reserve is expected to be taken into account in connection with the preparation of the budget as described above. For purposes of the policy, the County does not currently intend to count amounts on deposit in the Jurisdictional Rate Stabilization Fund established pursuant to the Delivery Agreements or the Bond Rate Stabilization Fund established pursuant to the 2018 Installment Purchase Contract.

Historical and Projected Waste Disposal Tonnage Amounts in the County

The Feasibility Report contains information relating to historical and projected deliveries of materials to the Solid Waste System by the Public Participants, including a table showing the respective amounts of materials to be delivered to the Solid Waste System from the Public Participants pursuant to the Delivery Agreements and MarBorg Industries pursuant to the MarBorg Disposal Services Agreement and its Delivery Agreement for the City of Buellton. In the event that materials in such quantities are not actually delivered to the Solid Waste System there can be no assurances that the financial condition of the Solid Waste System will not be materially adversely affected. See "CERTAIN RISK FACTORS." See also the Feasibility Report for a discussion of the assumptions relating to the projection of material deliveries to the Solid Waste System. See also "CERTAIN RISK FACTORS – Flow Control."

Alternate Facilities

As described in "—Delivery Agreements," commencing on July 1, 2017, the Public Participants (and MarBorg for the City of Buellton) were required to deliver or direct their respective Collection Contractor to deliver to the System all Acceptable Materials that the Collection Contractor collects under its contract with the respective Public Participant. In addition, pursuant to the MarBorg Disposal Services Agreement, MarBorg Industries is obligated to deliver materials collected at the MarBorg Facility to the Solid Waste System.

However, approximately 16% of the waste and other materials expected to be delivered to the Solid Waste System is not contractually or legally required to be delivered to the Solid Waste System. In addition, residences and businesses in the portion of the unincorporated area in the service area of the Solid Waste System and in the cities of Buellton and Solvang may elect to deliver solid waste and other materials to a processing and/or disposal location of their choosing.

The Feasibility Report describes alternate facilities potentially available for the processing and/or disposal of materials expected to be delivered to the Solid Waste System. The implementation of the TRRP will result in significant increases in the fees projected to be charged for use of the Solid Waste System and facilities outside of the Solid Waste System could potentially represent a more cost effective disposal location for self-haulers of County waste. The existence of a more cost effective disposal location for self-haulers of County waste could have an adverse impact on the ability of the County to generate Net Revenues in the levels required by the 2018 Installment Purchase Contract. See APPENDIX A – "FEASIBILITY REPORT," "—Alternate Facilities" and "CERTAIN RISK FACTORS - Competition" herein.

Capital Plan

In addition to the TRRP, a portion of the proceeds of the 2018 Certificates will be used to pay certain costs of landfill closure (approximately \$6.3 million) and storm water improvements (approximately \$1.8 million).

In order to plan effectively for future Solid Waste System capacity requirements, the County has developed a five year capital plan which contains various projects and facilities (the “Capital Plan”). The annual Capital Plan budget varies from approximately \$1 to \$5 million per year, depending on the number and size of projects programmed for any given fiscal year. Other projects include landfill liner construction at the Tajiguas Landfill. The Capital Plan contemplates that these projects will be financed through a combination of methods, including use of previously funded Solid Waste System reserves and payment from available amounts in the Surplus Fund. Although the 2018 Installment Purchase Contract allows the issuance of the additional Bonds and Contracts (subject to satisfaction of the conditions set forth therein), the Capital Plan does not currently contemplate the execution of any additional Bonds or Contracts. See APPENDIX A — “FEASIBILITY REPORT.” The 2018 Installment Purchase Agreement authorizes the execution of additional Bonds or Contracts upon satisfaction of the requirements set forth therein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – Additional Bonds and Contracts” and APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Historical Operating Results

The following table, excerpted from the Feasibility Report, shows the historical operating results for the Resource Recovery Enterprise Fund for Fiscal Years 2012-13 through 2017-18. As described in the Feasibility Report, the historical results were obtained from the County’s Comprehensive Annual Financial Reports. See APPENDIX A – “FEASIBILITY STUDY.”

**RESOURCE RECOVERY ENTERPRISE FUND
HISTORICAL OPERATING RESULTS**

<i>Fiscal Year Ending June 30, In 000's</i>	<i>Historical ⁽¹⁾</i>					
	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Operating Revenue	\$22,381	\$23,440	\$23,184	\$24,617 ⁽³⁾	\$26,053 ⁽³⁾	\$30,721
Non-Operating Revenues	1,413	1,265	1,030	1,246	1,077	992
Total Revenues	<u>\$23,794</u>	<u>\$24,705</u>	<u>\$24,214</u>	<u>\$25,863</u>	<u>\$27,130</u>	<u>\$31,713</u>
Operating Expenses						
Salaries & Benefits	7,552	8,190	7,870	8,537	8,464	9,583
Services & Supplies	4,101	4,585	4,351	4,271	4,462	5,596
Contractual Services	5,782	5,591	5,067	6,429	11,328	5,329
Depreciation and Amortization	2,025	2,243	2,391	2,438	2,538	2,396
County Overhead Allocation	258	120	253	317	281	386
Closure/Post Closure	665	(565)	6,126 ⁽²⁾	725	1,982	1,018
Total Operating Expenses	<u>\$20,383</u>	<u>\$20,164</u>	<u>\$26,058</u>	<u>\$22,717</u>	<u>\$29,055</u>	<u>\$24,308</u>
Operating Income	<u><u>\$3,411</u></u>	<u><u>\$4,541</u></u>	<u><u>\$ (1,844)</u></u>	<u><u>\$3,146</u></u>	<u><u>\$ (1,925)</u></u>	<u><u>\$7,405</u></u>

⁽¹⁾ From County Comprehensive Annual Financial Reports. Excludes Interest Expense.

⁽²⁾ In 2015, the County recognized a charge of approximately \$6 million for underfunded closure liability.

⁽³⁾ In 2018, the County recorded a prior period adjustment to recognize other operating revenues of \$1,361,372 and \$923,600 that were earned but not reported in the fiscal years ended June 30, 2016 and 2017, respectively. These adjustments are not reflected in the above historical operating results. Inclusion of these amounts would increase the reported revenues and resulting operating income for the fiscal year ended June 30, 2016 and 2017.

Closure and Post Closure Care Costs

State and federal laws and regulations require that landfill owners place a final cover on landfills when closed and perform certain maintenance and monitoring functions at landfill sites for 30 years after closure. In addition to operating expenses related to current activities of landfills, an expense provision and related liability are required to be recognized based on the estimated future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The County's updated Closure and Post Closure Plan were approved by state regulatory agencies during the Fiscal Year ended June 30, 2018. The liability recognized for the estimated landfill closure and post closure care cost is \$30,263,000 as of June 30, 2018. The County estimates that an additional \$4,349,000 will be recognized as landfill closure and post closure care expenses between June 30, 2018, and the date the Tajiguas Landfill is expected to be filled to capacity (in the year 2026, expected to increase to 2036 assuming timely completion and expected performance of the TRRP). The current estimated total cost of the landfill closure and post closure care of \$30,263,000 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the Tajiguas Landfill were required as of June 30, 2018. However, the actual cost of the landfill closure and post closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The 2018 Installment Payment Agreement provides that state mandated surcharges amounts currently payable in any Fiscal Year constitute Maintenance and Operation Costs.

The County is required by State and federal laws and regulations to make annual contributions to finance closure and post closure care. The County projects that these costs will range from approximately \$800,000 to approximately \$1.5 million annually through Fiscal Year 2033-34. At June 30, 2018, investments of \$20,354,000 were held to meet the State requirements. These investments are presented on the County's statements of net position as restricted assets. The County meets the financial assurance test for federal law purposes. The remaining portion of anticipated future closure and post-closure costs and additional costs that

might arise from changes in post closure requirements (due to inflation, changes in technology or more rigorous environmental regulations, for example) are expected to be paid by charges to future users of the Solid Waste System. See Note 16 in APPENDIX B – “COUNTY OF SANTA BARBARA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018.”

Certain Retirement Benefits

Salaries and benefits costs of the Solid Waste System (which constitute Maintenance of Operation Costs of the Solid Waste System) include funding of retirement benefits for employees assigned to the Department who, as County employees, participate in the Santa Barbara County Employees’ Retirement System (“SBCERS”), a plan operated under section 401(a) of the U.S. Internal Revenue Code.

For a variety of reasons, including assumption changes, less than expected investment returns, increases in beneficiary longevity and enhanced retirement benefits for County employees, SBCERS has experienced increasing unfunded liabilities. Retirement costs payable with respect to all County employees, including those assigned to the Solid Waste System, have increased significantly in recent years. In addition, recent projections indicate that retirement costs payable with respect to all County employees, including those assigned to the Solid Waste System are expected to significantly increase. See APPENDIX B – “COUNTY OF SANTA BARBARA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018.”

As a result of assumption changes made by the SBCERS Board of Retirement as part of its June 30, 2016 Actuarial Experience Study, including the reduction of the discount rate from 7.5% to 7.0%, County-wide employer contributions are expected to increase over the period ending June 30, 2018 through June 30, 2022. For the fiscal year beginning July 1, 2018, County-wide rates increased 0.43% to 39.14%. Projections provided by the SBCERS actuary suggest that County-wide retirement rates will increase through the fiscal year ending June 30, 2022 and will peak at 42%. The actual increases in retirement costs payable from the Solid Waste Fund are dependent primarily on the investment returns of SBCERS and assumptions set by the Board of Retirement, an independent governing board, which are subject to change on a periodic basis. The Board of Retirement is expected to next consider these assumptions as part of its triennial experience study that is scheduled to occur in fall 2019.

The following table contains certain information relating to County payments to SBCERS. Actual payments will depend on a variety of factors including investment performance and actuarial assumptions.

Required Contributions to SBCERS

<u>Fiscal Year</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
SBCERS System-wide Composite Rate	38.94%	37.94%	36.55%	38.71%	39.14%	39.40%

<u>Fiscal Year</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Actuarially Determined Contribution	\$110,461	\$114,714	\$113,889	\$113,544
Contributions in relations to the actuarially determined contribution	<u>\$110,756</u>	<u>\$114,946</u>	<u>\$114,197</u>	<u>\$113,544</u>
Contribution Deficiency (Excess)	(\$295)	(\$232)	(\$308)	\$0
County's Covered-Employee Payroll	\$283,430	\$295,365	\$304,480	\$316,948
Contributions as a percentage of covered-employee payroll	39.08%	38.92%	37.51%	35.82%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
County Resource Recovery Fund Regular Salaries	\$5,055	\$5,034	\$5,186	\$5,342
County Resource Recovery Fund Retirement Contributions	\$1,633	\$1,604	\$1,585	\$1,732
Contributions as a percentage of covered-employee payroll	32.30%	31.86%	30.56%	32.42%

Source: The County.

In addition to required contributions for retirement benefits for employees for the Department, the County pays certain post-employment health care ("OPEB") benefits for such employees. The OPEB related contributions for the Solid Waste System were approximately \$222,446 in Fiscal Year 2016-17 and approximately \$226,293 in Fiscal Year 2017-18. The County estimates that OPEB related contributions will be approximately \$238,000 for Fiscal Year 2018-19.

Contributions related to OPEB benefits constitute Maintenance and Operation Costs of the Solid Waste System and are reflected in the Projected Operating Results contained in the Feasibility Report. The County's OPEB plan was closed to new solid waste employees on June 25, 2012. On March 1, 2016 the County adopted a funding policy for the OPEB plan that states that the County will provide minimum annual contributions to the Plan at a level equivalent to 4% of total pensionable payroll for all County employees participating in the SBCERS 401(a) pension plan (the County's core retirement plan).

For additional information concerning the County's retirement-related and OPEB obligations, see Note 22 and Note 23 in APPENDIX B – "COUNTY OF SANTA BARBARA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Insurance

With respect to the TRRP, the County intends to satisfy part of its obligation under the 2018 Installment Purchase Contract to provide insurance through insurance provided by the TRRP Contractor (or subcontractors) pursuant to the TRRP Contract. See “THE TAJIGUAS RESOURCE RECOVERY PROJECT.” Following construction of the TRRP, the County will be responsible for casualty insurance with respect to the TRRP.

The County purchases insurance or self-insures for liability and casualty risks. For general liability, medical malpractice, and workers’ compensation claims, excess coverage is provided by the California State Association of Counties Excess Insurance Authority (“CEIA”), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its members, which include 95% of the counties in California and nearly 60% of the cities, as well as numerous school districts, special districts, housing authorities, fire districts, and other joint powers authorities. For general liability coverage, the County self-insures for the first \$500,000 and has obtained excess coverage of \$35 million from CEIA.

The County purchases property insurance through CEIA from commercial insurance companies via a pool comprised of a majority of California counties and other California public agencies. The County is insured up to \$600 million for All Risk coverage, and up to \$540 million for flood and earthquake coverages. All property damage risks are covered on a per occurrence basis and insured at full replacement values up to the policy limits. Deductibles per occurrence are \$10,000 for fire or other property damage, and \$25,000 for flood. The earthquake deductible is 5% of total values per separate building per occurrence, subject to a \$100,000 minimum. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. For additional information, see Note 14 in Appendix B – “COUNTY OF SANTA BARBARA AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018.”

Grand Jury Report

On June 20, 2018, the Santa Barbara County Grand Jury the (“Grand Jury”) issued a report concerning internal financial controls in the County (the “Grand Jury Report”). The Grand Jury Report was instigated by the discovery in September 2017 that an accountant in the Public Works Department embezzled County funds in excess of \$2 million. (The accountant subsequently plead guilty to criminal charges relating to the embezzlement.) The Grand Jury Report found in part that: “Despite the clean audit opinions on the finances of the County of Santa Barbara provided over many years by independent auditors, the 2017-18 Santa Barbara County Jury found significant residual risks to the County’s finances. The Jury found significant control risks in the County’s management of its financial resources. These risks occur from the failure of elected officials and department heads to promulgate, apply and integrate financial management guidelines and IT systems in a consistent and fully rigorous manner and to hold staff accountable in financial management.”

The Grand Jury Report contained a number of recommendations intended to strengthen County internal financial controls, including increased staffing of the Internal Audit Division of the Office of the Auditor-Controller, consistent application of financial guidelines throughout County departments, increased training in financial management and conflicts of interest for County personnel, and implementation of an independent evaluation of internal controls and potential enterprise resource planning software.

On August 15, 2018, the Office of the County Auditor Controller issued a response (the “Auditor Controller Response”) to the Grand Jury Report in accordance with State law. The Auditor Controller Response agreed with a number of the Grand Jury Report findings, and partially or fully disagreed with other findings. The Auditor Controller Response stated that the County has implemented or will implement a number of the recommendations set forth in the Grand Jury Report, including increased staffing in the Internal Audit Division of the Office of the Auditor Controller, establishment of an audit schedule, and provision of mandatory training among senior employees.

On September 18, 2018, the County Board of Supervisors issued a response to the Grand Jury (the “Board Response”). The Board Response agreed with one of the Grand Jury Report findings, and partially or fully disagreed with other findings. The Board Response stated that the County Board would not implement a number of the Grand Jury recommendations, as, in the Board’s opinion, such recommendations were not warranted, and also stated that certain of the recommendations require further analysis. The Board Response stated that the County has implemented or will implement a number of the recommendations set forth in the Grand Jury Report, including implementation of an independent evaluation and audit of internal controls; issuance of a public report stating the steps taken to strengthen public financial management in the County following the embezzlement; and commissioning of an independent evaluation of the benefits and costs of acquiring, installing and maintaining enterprise resource planning software from a major vendor.

THE TAJIGUAS RESOURCE RECOVERY PROJECT

The County will apply a portion of the proceeds of the sale of the 2018 Certificates, together with other lawfully available funds designated by the County, to pay the costs of the TRRP. The TRRP is described in detail in the Feasibility Report. The Feasibility Report should be read in its entirety. Following is a summary description of the TRRP.

Generally. The TRRP will be located on approximately six acres at the Tajiguas Landfill and consists of the Materials Recovery Facility and the Anaerobic Digestion Facility. The composting area will occupy approximately an additional 5 acres. The TRRP is designed to modify the processing of solid waste currently delivered to the Tajiguas Landfill for disposal as well as to process source separated recyclables and organic waste from the Public Participants’ existing and future recycling programs in order to reduce landfilling and greenhouse gas emissions and to extend the life of the Tajiguas Landfill.

MRF. The MRF is comprised of a 66,500 square foot facility that will process commingled source separated recyclables and mixed municipal solid waste. As designed, the MRF will include a tipping floor and load out waste transfer area, a waste processing and recyclables storage area, office space and a visitor viewing area. The MRF has a design capacity of up to 290,000 tons per year and has been designed to recover up to 126,000 tons per year of recyclables. The processing line is intended to sort solid waste into three streams: recyclables for sale; organics for processing in the ADF; and residue to be disposed in the Tajiguas landfill. While the various components of the MRF have been utilized in a number of facilities in the United States, the particular configuration of the MRF is unique, and there can be no assurances that the MRF will achieve the expected levels of performance.

As described in the Feasibility Report, the Projected Operating Results assume that the revenues from the sale of recyclable materials processed through the TRRP will be at least \$6.2 million, and will be retained by the TRRP Contractor. The TRRP Contract provides that, in the event that the revenues received from the sale of recyclable materials by the TRRP Contractor are less than that amount for reasons other than the nonperformance of the TRRP Contractor, the County shall pay the TRRP Contractor the amount of any shortfall. As described in the Feasibility Report, 100% of revenues from the sale of recyclable materials in excess of \$6.2 million annually up to \$9.5 million annually will go to the County. Revenues above \$9.5 million will be shared between the County and the TRRP Contractor.

ADF. The ADF will be housed in an approximate 68,550 square foot building and include an associated energy facility and percolate storage tanks. The ADF includes: sixteen digesters, a mixing area, delivery area, compost load out area, engine room and control room. The ADF will include two percolate storage tanks (one for organic waste recovered from municipal solid waste and one for source separated organic waste). The ADF is intended to convert all organics recovered from the solid waste and source separated organic waste into biogas that would power generators that are expected to produce approximately 1.9 net megawatts of renewable power. The electric power will be used to operate the ADF and the excess energy will be sold to Southern California Edison. Revenues from the sale of excess energy (projected to be approximately \$2.3 million) will be retained by the TRRP Contractor. As described in the Feasibility Report,

revenues from the sale of energy in excess of \$2.3 million annually will be shared between the County and the TRRP Contractor.

The ADF has a design capacity of up to 73,600 tons per year. The composting area is located on five acres located on the landfill's waste disposal footprint. The digestate (organic material remaining after the anaerobic digestion process) is transferred from the ADF to the Composting Area by truck.

The Feasibility Reports notes that the Feasibility Consultant is not aware that any of the existing California anaerobic digestion projects use the particular technology to be utilized in the ADF. In addition, the Feasibility Consultant is not aware of a project where the technology to be utilized for the ADF accepts residue from the processing of municipal solid waste at a materials recovery facility. See "CERTAIN RISK FACTORS – Risks Related to the TRRP."

TRRP Contractor. In connection with the TRRP, the County and MSB Investors LLC (the "TRRP Contractor") have entered into the Contract for the Development and Operation of the Tajiguas Resource Recovery Project, dated June 22, 2016, as amended (the "TRRP Contract"). Pursuant to the TRRP Contract, the TRRP Contractor will design, permit, construct and operate the TRRP.

The TRRP Contractor is a limited liability company organized and operating under the laws of the State of California for the purpose of developing, constructing and operating the Santa Barbara Tajiguas Resource Recovery Project. As more particularly described in the Feasibility Report, the TRRP Contractor has no experience constructing, equipping or operating facilities similar to the MRF and ADF and has subcontracted significant elements of the TRRP to third party subcontractors. In addition, the TRRP Contractor has limited assets other than its interest in the TRRP Contracts, and, in the event that the actual costs of the TRRP exceed the amounts estimated by the TRRP Contractor and/or the TRRP Contractor is obligated to pay liquidated damages pursuant to the TRRP Contract, there can be no assurances that the TRRP Contractor would have the financial resources to pay such increased costs and/or liquidated damages. See "CERTAIN RISK FACTORS – Risks Related to the TRRP."

The Feasibility Report contains a description of significant subcontracts that the TRRP Contractor has entered into in connection with the TRRP, as well as subcontracts that the TRRP's subcontractors have entered into. Major subcontractors and sub-subcontractors include Diani Building Corp., Bekon Energy Technologies Inc., MarBorg Recovery LP (an affiliate of MarBorg Industries), Mustang Renewable Power Ventures, LLC, and Van Dyk Recycling Solutions Corporation. The County has entered into a "Direct Agreement" with each of the subcontractors and sub-subcontractors identified in the preceding sentence. Pursuant to the Direct Agreement, the County may directly enforce the subcontractors and sub-subcontractors obligations under the identified contracts.

TRRP Contract. The TRRP Contract generally requires that the TRRP Contractor is responsible for the design, permitting, construction and operation of the TRRP. The TRRP Contract has an initial term of 12 years, subject to the County's right to extend the TRRP Contract for up to five years.

The TRRP Contract provides that full operation of all activities at the TRRP must occur no later than 24 months after the issuance of a notice to proceed with construction of the TRRP (which is expected to occur on the date of issuance of the 2018 Certificates). The TRRP Contract, as amended in 2017 and 2018 to reflect the relocation of a portion of the TRRP (as described below in "Relocation of TRRP and Related TRRP Contract Amendments") and the addition of landfill gas engines, provides for a price for development and construction of approximately \$134.0 million (an increase of approximately \$23 million as compared to the price prior to the 2017 and 2018 amendments).

The TRRP Contract also provides that the TRRP Contractor will receive monthly progress payments based on work performed. (The County intends to utilize a third party consultant to assist in the review of invoices and progress reports.) The TRRP Contract provides that the TRRP Contractor is entitled to additional

adjustments to the construction price, schedule and performance guarantees to the extent failure to meet the guarantees results from specified uncontrollable circumstances, including earthquakes, sabotage, unavailability of utilities, failure of title to the TRRP Site and changes in law. The TRRP Contractor is also responsible for providing the financing for approximately \$5.5 million of certain equipment to be utilized at the TRRP.

The TRRP Contract provides that the TRRP Contractor or one of the primary subcontractors must provide one or more performance bonds, letters of credit or other surety device as may be reasonably required by the County (i) with respect to construction, in the aggregate amount of approximately \$117.5 million, which is the estimated cost of construction of the TRRP (exclusive of certain specified costs as described in the Feasibility Report), and (ii) with respect to operations in the aggregate amount of approximately \$14.0 million, which is the estimated cost of operations of the TRRP in the first year of operations. The TRRP Contract requires that the performance bond be issued by a surety company or companies rated “A” or better pursuant to current AM Best ratings. The TRRP Contract also requires the TRRP Contractor, during construction, and any period during which the TRRP Contractor is operating the TRRP, to maintain certain insurance coverage on with respect to the TRRP, commercial general liability, with limits no less than \$22 million per occurrence and \$22 million in the aggregate, and “all risk” with limits equal to the completed value of the TRRP, including earthquake and flood coverage with a minimum \$25 million policy limit.

Pursuant to the TRRP Contract, the County is responsible for remediating any environmental conditions at the TRRP site at the Tajiguas Landfill, providing financing for the payment of the construction price through the issuance of the 2018 Certificates, and obtaining certain permits relating to the TRRP. The County also agrees to deliver or cause to be delivered to the TRRP a minimum of 143,308 tons of Acceptable Materials, although it is anticipated that 190,717 tons of materials will be delivered and processed at the TRRP pursuant to the TRRP Contract. The maximum capacity of material required to be accepted at the MRF by the TRRP Contractor as set forth in the TRRP Contract is 233,018 tons (which does not include non-recoverable material that will be directly landfilled without processing at the TRRP).

As more particularly described in the Feasibility Report, the TRRP Contract provides for payment to the TRRP Contractor of a per ton amount of approximately \$28.79 for operations services provided by the TRRP Contractor. At initial execution of the TRRP Contract, the per ton amount was approximately \$5.60, and was subsequently increased to \$15.15 in February 2017 to reflect changes in recyclable commodity values, and increased permitting and insurance requirements. As described in the Feasibility Report, the increase from \$15.15 to the current level of \$28.79 per ton is primarily the result of significant changes in recycling markets. The most significant and relevant is the new set of policies adopted by China restricting and, in some cases, banning the importation of recyclables. Policies in China have a global impact that has resulted in historically low commodity prices particularly for the fibers and mixed plastics materials. See APPENDIX A – ‘FEASIBILITY REPORT.’

Permitting. The County was required to comply with the requirements of the California Environmental Quality Act in connection with the execution of the TRRP Contract and implementation of the TRRP, and on July 12, 2016 certified an Environmental Impact Report with respect to the TRRP. (The Environmental Impact Report was subsequently amended to reflect the relocation of a portion of the TRRP as described in below in “ - Gaviota Settlement.”)

[[CalRecycle has issued a Solid Waste Facility Permit including the TRRP. A Stormwater Pollution Prevention Plan (“SWPPP”) is required to be prepared for and submitted to the Regional Water Quality Control Board (“RWQCB”) prior to construction. The SWPPP has been completed and submitted to the RWQCB. The TRRP will require an Authority to Construct (“ATC”) from the Santa Barbara County Air Pollution Control District prior to the installation of the four landfill gas engines. Site preparation work may occur prior to the issuance of the ATC. The ATC permit is expected to be issued in late October 2018.]]

Prior to execution and delivery of the 2018 Certificates, the TRRP Contractor is required to certify that all permits required for commencement of construction of the TRRP have been obtained. Certain

additional permits will be required during construction and prior to commencement of operations. See Appendix A – “Feasibility Report” for a discussion of permitting considerations. Failure to obtain and maintain necessary permits relating to the completion of construction and operation of the TRRP could result in significant increased costs of the Solid Waste System, as well as accelerated depletion of the disposal capacity of the Tajiguas Landfill. See “CERTAIN RISK FACTORS – Statutory and Regulatory Impact.”

Relocation of TRRP and Related TRRP Contract Amendments. In February 2017, the County entered into a bond purchase agreement with the Underwriter for the sale of certificates of participation (the “Planned 2017 Certificates”) to finance the then-current costs of the Project. However, subsequent to the execution of the bond purchase agreement and prior to the scheduled date of issuance of the Planned 2017 Certificates, the County discovered that a portion of the TRRP was within the Coastal Zone which required additional approvals from the State Coastal Commission. As a result the Planned 2017 Certificates could not be issued. As more particularly described in the Feasibility Report, the TRRP layout was revised to relocate the ADF outside the Coastal Zone and an addendum to the Environmental Impact Report was approved by the County Board of Supervisors on November 14, 2017. The Gaviota Coast Conservancy filed a lawsuit against the County to challenge the County’s approval of the TRRP. The County and the Gaviota Coast Conservancy reached a settlement approved by the Board in June 2018. See “- Gaviota Settlement.”

In 2017 and 2018, the TRRP Contract was amended to provide for an increase of approximately \$23 million due to increased costs resulting from the relocation of the TRRP, acquisition of two landfill gas engines and general escalation in construction costs. See Appendix A – “Feasibility Report” for a discussion of the relocation of the TRRP and related matters.

On September 21, 2018, the California Coastal Commission issued a Coastal Zone Boundary Determination that stated that the relocated TRRP is located outside of the Coastal Zone and is not subject to the permit requirements of the Coastal Act of 1976. A copy of the Determination is available upon request.

Gaviota Settlement. As described above, in December 2017 the Gaviota Coast Conservancy filed a lawsuit challenging the County’s approval of the addendum to the Environmental Impact Report relating to the relocation of a portion of the TRRP. The County reached a settlement with the Gaviota Coast Conservancy in June 2018 (the “Gaviota Settlement”). As part of the Gaviota Settlement, the Gaviota Coast Conservancy agreed to dismiss its litigation if the Board of Supervisors adopted a resolution stating that it would: (i) cease burial of residual and solid waste at the Tajiguas Landfill when it reaches its permitted capacity of 23,300,000 cubic yards except for emergency debris; (ii) not seek expansion of the Tajiguas Landfill capacity except for emergency debris; (iii) when seven years of remaining disposal capacity is reached based on the County’s annual report to CalRecycle, begin to seek locations other than the Gaviota Coast for solid waste residual disposal; and, (iv) limit the use of certain other County-owned property primarily to open space, recreation, and agricultural uses. The Board adopted the resolution on June 19, 2018 and Gaviota Coast Conservancy subsequently dismissed the litigation. This resolution does not impact life expectancy of the TRRP, only the landfill operations at the site. See Appendix A – “Feasibility Report.”

FEASIBILITY REPORT

In connection with the issuance of the 2018 Certificates, on _____, 2018, HF&H Consultants, LLC (the “Feasibility Consultant”), issued a Feasibility Report entitled “County of Santa Barbara - Solid Waste System Consultant’s Report and Feasibility Study Related to the Solid Waste System Revenue Certificates of Participation, Series 2018” (the “Feasibility Report”). A copy of the Feasibility Report is attached hereto as Appendix A. Since 1995, the Feasibility Consultant has performed or is performing 20 engagements for the County. These engagements include representing the County in negotiating the TRRP Contract and the Delivery Agreements. The County retained the Feasibility Consultant on a non-contingent basis to prepare the Feasibility Report and other related work.

In connection with the marketing and sale of the Planned 2017 Certificates in February 2017, the Feasibility Consultant had prepared a prior version of the Feasibility Report. The Feasibility Report attached hereto as Appendix A contains a description of certain significant changes since the version prepared in February 2017, including but not limited to significant increases in the projected tipping fees payable with respect to the TRRP.

The estimates, opinions and conclusions expressed by the Feasibility Consultant in the Feasibility Report are based upon various assumptions, calculations and qualifications set forth therein, and the Feasibility Report should be read in its entirety in order to evaluate such estimates, opinions and conclusions. While the Feasibility Consultant believes the assumptions to be reasonable for purposes of the Feasibility Report, the assumptions may vary significantly from actual future conditions due to unanticipated events and circumstances. To the extent that actual future conditions vary from those assumed in the Feasibility Report, the actual results will vary from the results forecast by the Feasibility Consultant. See “CERTAIN RISK FACTORS – Feasibility Report.”

REGULATION

The Solid Waste System is regulated on the local, state and federal level, and is subject to multiple regulatory requirements. The Department must obtain and comply with multiple permits for the operation of the facilities within the Solid Waste System. Failure to stay in compliance could result in penalties and fines or other enforcement measures that could adversely affect the Solid Waste System’s financial condition.

The Feasibility Report contains a description of the most significant regulatory and permitting requirements relating to the TRRP and the Solid Waste System. The following is a description of certain of these regulatory requirements. It is not intended to be an exhaustive discussion of regulatory requirements or considerations.

California Integrated Waste Management Act of 1989

Integrated Waste Management Plans. Among other requirements, the California Integrated Waste Management Act of 1989, California Public Resources Code Section 40000 *et. seq.*, (“CIWMA”) directs all California cities and counties to maximize all feasible source reduction, recycling and composting options in order to reduce the amount of solid waste that must be disposed of by transformation (through waste-to-energy projects or other processes) and land disposal. As a result of CIWMA, solid waste management has been changed to an integrated solid waste management approach in which source reduction and recycling play an integral role in the waste management strategy.

Under CIWMA, each city and county (a “local agency”) in the State were mandated to achieve 25% diversion of solid waste disposed of in landfills or by incineration through waste reduction or recycling by January 1, 1995, and a 50% reduction by the year 2000. Furthermore, under AB 341, the State’s diversion goal will increase to 75% by 2020. Local agencies are responsible for these goals whether or not they control disposal of waste generated within their jurisdiction. Local agencies may face monetary fines of up to \$10,000 per day if the California Department of Resources Recycling and Recovery (“CalRecycle”) deems local plans to be inadequate or if localities fail to satisfactorily implement plans to achieve the 25% and 50% reduction goals. The TRRP service area has a diversion rate over 70%. The TRRP is expected to recover an additional 60% or more of waste currently being landfilled thereby increasing the service area’s overall diversion rate to over 85%.

CIWMA also requires an annual payment by the County to CalRecycle in an amount equal to \$1.40 per ton disposed for administering CIWMA. The County has included this fee in the Acceptable Materials Charge and the Projected Operating Results.

Closure and Postclosure Costs. For landfills closed on or after January 1988, State law requires counties in the State (including the County) to provide for closure and post-closure maintenance costs of their landfills. This may be accomplished through a variety of specified means. In general, closure costs relate to final cover and other costs associated with closing a landfill. Postclosure costs relate to leachate control, groundwater monitoring, drainage control and maintenance, final cover and vegetation. New or increased regulations could substantially increase the requirements and costs associated with closure and post-closure of landfills. The County's estimates for closure and post-closure costs are based on current regulatory requirements, including Subtitle D of the federal Resource Conservation and Recovery Act of 1976 ("RCRA") and Title 27 of the California Code of Regulations. There can be no assurance that the actual costs will not be greater or less than the County's estimated costs which are based upon current regulations and requirements.

Title 14 of the California Code of Regulations (14 CCR) 18267(b), requires that the closure fund is sized so that monies in the fund at any given time will cover the portion of the closure costs attributed to the percentage of the total permitted landfill capacity that has been used. When 100 percent of the landfill capacity is reached, the closure fund should be fully funded. The closure cost estimate for each landfill is to be submitted to and reviewed by CalRecycle. This expense continues until the landfill capacity is exhausted. When the capacity is exhausted, it is anticipated that adequate funds will have been accumulated in the closure fund to cover estimated closure costs including closure design, engineering, and construction.

The Governmental Accounting Standards Board ("GASB") issued a statement which requires state and local entities which are required by law to incur post-closure liabilities to recognize a prorated portion of those post-closure liabilities as a current expenditure (even though Subtitle D and related state law do not require municipalities to set aside funds for post-closure). Although GASB requires the current recognition of pro rata closure and post-closure costs for financial reporting purposes, it does not require the County to reserve post-closure costs in separate trust funds (as is required by state and federal law with respect to closure costs). See "FINANCIAL OPERATIONS - Closure and Post Closure Care Costs" above.

Financial Assurance for Corrective Action. The owners and operators of all disposal facilities required to be permitted as solid waste landfills and operating on or after July 1, 1991, are required to provide financial assurance for corrective action based on the highest amount of either the water release corrective action (a pre-existing requirement in 1990s) or the recently required non-water release corrective action. The regulations, Title 27, CCR, Section 22100 et seq. allows a landfill owner or operator to determine the value of the non-water release corrective action fund through one of three methods: the site-specific non-water release Corrective Action Plan; the cost for replacement of the final cover; or the closure cost estimate for the landfill.

Federal and Other State Laws Governing Solid Waste Disposal

CalRecycle has primary oversight and regulatory responsibilities of the System and has designated the County of Santa Barbara Environmental Health Services as the local enforcement agency ("LEA"). LEA makes regular inspections of the System to ensure that it is complying with state health and safety codes. The Solid Waste System also must comply with regulatory requirements as set forth by State agencies and the U. S. Environmental Protection Agency (the "EPA").

The nationwide minimum standards for landfilling municipal solid waste include requirements relating to daily cover, disease and gas control, record keeping, groundwater monitoring, and closure and post-closure maintenance. Individual states must apply to the EPA to become an "Approved State," demonstrating that their state waste management plan is in compliance with federal Subtitle D requirements. After the EPA approves a state plan, the regulations permit discretion on the part of state regulators to grant some flexibility to landfill operators in implementing Subtitle D regulations. California has been designated an "Approved State."

Subtitle D, and the corresponding changes to State law, have had a significant financial impact on the design, operation and maintenance of landfills. The County believes it is currently in compliance with

applicable requirements of Subtitle D. The estimated cost requirements for compliance with Subtitle D have been included in the Solid Waste System's projected Operating Results contained herein.

Air and Water Quality Regulations

Solid waste management facilities are closely monitored to protect air and water quality. Under the Porter-Cologne Water Quality Control Act (California Water Code Section 3000 *et. seq*) ("Porter-Cologne"), the Department is required to report waste discharges that could affect water quality. Porter-Cologne is administered and enforced by the State Water Resources Control Board and Regional Water Quality Control Board (the "Regional Board"). The System is regulated by the California Central Coast Regional Water Quality Control Board.

Pursuant to Porter-Cologne, the Regional Board issues waste discharge requirements ("WDRs") containing terms and conditions of permitted discharges for the landfills. The WDRs typically mandate a regular self-monitoring program to detect pollutants. In the event of a violation of a WDR, the Regional Board may issue either a cease and desist order or a cleanup and abatement order that mandate deadlines for remedial action. A landfill operator's failure to comply with a Regional Board order or reporting requirements may result in administrative or judicial civil liabilities ranging up to \$27,500 a day.

Porter-Cologne also instituted the Solid Waste Assessment Testing program which requires an analysis of surface and groundwater under and within a one mile radius of a designated landfill for leakage of hazardous waste. If leakage outside of the landfill occurs, operators of the landfill must notify the State Department of Health Services and CalRecycle. These agencies will impose remedial action upon the landfill.

From time to time components of the Solid Waste System have been the subject of regulatory actions. See "THE SOLID WASTE SYSTEM – Existing Solid Waste System."

The California Clean Air Act authorizes the adoption of rules and regulations for air quality permits and govern the enforcement of those permits and rules. This act is administered and enforced by the Santa Barbara Air Pollution Control District ("APCD"). Various rules apply to landfill operations, including rules which relate to methane gas monitoring and migration, as well as rules which relate to specific equipment and machinery, above ground fuel tanks and fugitive dust emissions. The APCD conducts periodic inspections of the Solid Waste System and, in a fashion similar to the Regional Board's, may impose civil liabilities for permit violations.

The County believes it is currently in compliance with the applicable requirements of California Clean Air Act.

CERTAIN RISK FACTORS

Rate Covenant Not a Guarantee

Pursuant to the 2018 Installment Purchase Contract, the County has agreed to fix, prescribe and collect charges, fees and rates for the use of the Solid Waste System which are reasonably fair and nondiscriminatory and which shall be at least sufficient to yield (i) Net Revenues during each Fiscal Year equal to one hundred fifty percent (150%) of the Debt Service for such Fiscal Year, and (ii) Net Current Revenues during each Fiscal Year equal to Debt Service for such Fiscal Year. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 Certificates – Rate Covenant" and APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." The ability of the County to make debt service payments with respect to the 2018 Certificates depends on the ability of the Solid Waste System to generate Net Revenues in the amounts required by the 2018 Installment Purchase Contract, which in turn depends on the Public Participants and MarBorg Industries complying with the requirements of the Delivery Agreements and the MarBorg Disposal Services Agreement, respectively. Although, the Projected Operating Results project that sufficient revenues

will be generated through the imposition of the Acceptable Materials Charges, there is no assurance that the imposition of the Acceptable Materials Charges will result in the generation of Net Revenues in the amounts required by the 2018 Installment Purchase Contract. As a result, the County's covenant does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments with respect to the 2018 Certificates.

In addition, as shown in the projected operating results contained in Feasibility Report, the County currently expects that the Acceptable Materials Charges payable by the Public Participants will be set by the County each Fiscal Year at the minimum level necessary to comply with the Rate Covenant. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 CERTIFICATES - Rate Covenant." In the event that actual results for any Fiscal Year differ adversely from the County's assumptions for that Fiscal Year, in order to comply with the Rate Covenant for that Fiscal Year, the County may be required to utilize amounts on deposit in the Bond Rate Stabilization Amount, if any, to satisfy the Rate Covenant. On the date of execution and delivery of the 2018 Certificates, the County shall deposit \$5,000,000 into the Bond Rate Stabilization Fund. However, in the event that such funds are utilized at the discretion of the County, the County is not required to replenish amounts in the Bond Rate Stabilization Fund. See SECURITY AND SOURCES OF PAYMENT FOR THE 2018 CERTIFICATES - Bond Rate Stabilization Fund."

Competition

Generally, the ability of the County to generate Net Revenues in the amounts contemplated by the Installment Purchase Contract depends on the continuing delivery to the Solid Waste System of solid waste generated in the County and delivered to the Solid Waste System by the Public Participants in the amounts anticipated by the County.

The Collection Contractors for the Public Participants are legally or contractually obligated to deliver to the Solid Waste System waste which they collect. However, approximately 16% of solid waste and other materials projected to be delivered to the Solid Waste System are not collected by Collection Contractors or delivered to the MarBorg Facility and are not legally or contractually required to be delivered to the Solid Waste System. Implementation of the TRRP will result in significant increases in the cost of disposal and processing at the Solid Waste System. As described in the Feasibility Report, alternate disposal and transfer facilities exist (and others may become operational in the future) which compete with the Solid Waste System for the processing and disposal of solid waste generated in the County. See APPENDIX A – "FEASIBILITY REPORT" for a description of alternate facilities.

In addition, residences and commercial establishments in the unincorporated area of the County and the Cities of Solvang and Buellton are not required to utilize the Collection Contractors and may self-haul their solid waste to a facility outside of the Solid Waste System. In the event that such transfer or disposal sites in the future represent more economical or convenient alternatives for generators of a significant amount of waste generated in the County which do not utilize Collection Contractors and such generators do not utilize the Solid Waste System, the use of alternative transfer or disposal sites outside of the Solid Waste System by such waste collectors or generators could have a material adverse impact on the ability of the County to generate Net Revenues in the amounts required by the 2018 Installment Purchase Contract and to make 2018 Installment Payments representing principal and interest with respect to the 2018 Certificates.

Disposal Capacity

As of the date hereof, the County estimates that the Tajiguas Landfill currently has sufficient capacity for the disposal of solid waste generated by the County and the Public Participants through 2026. The County believes that if the TRRP is constructed in a timely manner and meets projected levels of performance (in terms of volume reduction through processing of materials through the MRF and ADF), the Tajiguas Landfill will have sufficient capacity for the disposal of solid waste generated by the County and the Public Participants for ten additional years through 2036. In the event that the TRRP does not achieve the expected levels of

removal of recyclable materials and organics from the materials delivered to the TRRP, the life of the Tajiguas Landfill will be commensurately reduced. In particular, as described in the Feasibility Report, each year of delay in commencement of, or nonperformance of, the ADF will result in a reduction of four months in the disposal capacity of the Tajiguas Landfill. See “CERTAIN RISK FACTORS –Disposal Capacity.”

The final maturity of the 2018 Certificates is December 1, 2038. In the event that the Tajiguas Landfill has insufficient capacity for the disposal of solid waste generated by the County and the Public Participants prior to the maturity of the 2018 Certificates, pursuant to the Delivery Agreements and the 2018 Installment Purchase Contract, the County is obligated to make alternate arrangements for the disposal of such solid waste. However, there can be no assurance that use of such alternate arrangements will not result in significant increases in the Acceptable Materials Charge established pursuant to the Delivery Agreements for the use of the Solid Waste System, which in turn could result in increasing use of alternate facilities. See and “—Competition” and APPENDIX A — “FEASIBILITY REPORT.”

Statutory and Regulatory Impact

Laws and regulations governing solid waste management are enacted and promulgated by government agencies on the federal, state and local levels. These laws and regulations address the design, construction, operation, maintenance, closure and post-closure maintenance of various types of facilities; acceptable and prohibited waste types; inspection, permitting, environmental monitoring; and solid waste recycling requirements. Laws and regulations at both the State and federal levels impose retroactive liability, particularly with respect to cleanup activities, relating to any landfill site operated by the County, whether or not owned by the County. Thus the County has potential liability with respect to every landfill ever operated by the County. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. Claims against the County with respect to County-operated sites and closed sites may be significant. Such claims are payable from assets of the Solid Waste System or from other legally available sources. From time to time components of the Solid Waste System have been the subject of regulatory actions. See “THE SOLID WASTE SYSTEM – Existing Solid Waste System.” Although Acceptable Materials Charges are the major source of funding for regulatory costs and the County has covenanted in the 2018 Installment Purchase Contract to establish such rates, fees and charges as are necessary to enable the County to make all payments required to be made pursuant to Bonds and Contracts, including debt service with respect to the 2018 Certificates, no assurance can be given that the cost of compliance with such laws and regulations will not adversely impact the Revenues of the Solid Waste System.

Risks Related to the TRRP

Following is a discussion of certain risks relating to the construction and operation of the TRRP. It is not intended to be an exhaustive list of all potential risks relating to the construction and operation of the TRRP.

Construction Delays or Cost Increases. Generally, in construction projects of the magnitude of the TRRP, there is a possibility of non-completion or of time delays and cost increases. Non-completion or delays may result from one or more reasons, including but not limited to (i) design and construction problems and resulting change orders, (ii) escalation of prices or wages or shortages of labor or materials or temporary or long term impacts of trade policies, including tariffs on steel and other construction materials, (iii) environmental litigation or permitting approval and administrative matters, (iv) the unavailability or cost of acquiring right-of-way, (v) utility relocation problems, (vi) archaeological, historic and unidentified or misidentified subsurface conditions, (vii) hazardous materials, (viii) force majeure events including earthquake and weather, and (ix) litigation. As a result, there can be no assurance that the costs of the TRRP will not exceed current estimates, or that the completion of the TRRP will not be delayed beyond the estimated completion dates. Variations in costs estimates and delays in construction could be material.

Events of Force Majeure. Construction and operation of the TRRP are at risk from events of force majeure, such as earthquakes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, among other events. Construction may also be halted or delayed by non-casualty events such as discovery of nondisclosed archaeological, paleontological or cultural resources, discovery of threatened or endangered species, court injunctions, or the suspension, termination, denial or failure to obtain or non-renewal of required governmental approvals, among other things.

Nonperformance by TRRP Contractor. The TRRP Contract is a lump-sum design-build construction contract that limits the ability of the TRRP Contractor to make claims for increases in the contract price or extensions of the completion deadlines specified therein. The TRRP Contract also imposes liquidated damages for failure to meet certain completion deadlines and obligates the TRRP Contractor to assume risk and responsibility with respect to design of the TRRP. If the TRRP Contractor finds it uneconomic to perform the obligations under the TRRP Contract, or otherwise becomes unwilling or unable to perform, there is a risk that the TRRP Contractor may abandon the TRRP and breach its obligations under the TRRP Contract. While the TRRP Contract includes provisions to secure contractor performance, including the performance and payment bond requirements and retention of contractor payments, there can be no assurance given that such provisions will ensure the TRRP Contractor's full performance of its obligations under the TRRP Contract. The TRRP Contractor's nonperformance may lead to substantial cost increases and delays in completion of the TRRP.

The TRRP Contractor is a special purpose limited liability company formed expressly for the TRRP Project. The obligations of the TRRP Contractor are not guaranteed by any other entity. The TRRP Contractor has no substantial assets other than its interest in the TRRP Contract. There can be no assurances that the TRRP Contractor will have the financial resources to pay damages that may become payable pursuant to the TRRP Contract.

Failure to Maintain Existing Permits and Obtain Remaining Permits. Certain permits and approvals are not required prior to commencement of construction of the TRRP and therefore have not been obtained. Responsibility for maintaining existing permits and obtaining additional necessary permits and approvals is allocated between the County and the TRRP Contractor. See APPENDIX A – "Feasibility REPORT." Failure to maintain existing permits or to obtain additional necessary permits in a timely manner could delay or prevent completion of the TRRP.

Nonperformance by Subcontractors; Technology Risk. As described in the Feasibility Report, the TRRP Contractor has entered into several subcontracts relating to construction and operation of the various components of the TRRP. (Subcontractors to the TRRP Contractor have also entered into significant subcontracts as well.) In addition, the particular technology to be utilized by the subcontractor for the ADF has not been previously utilized in the United States, and not in any location for the processing of residue from a municipal solid waste materials recovery facility.

Nonperformance by the subcontractors (or sub-subcontractors) for any reason, including failure of the technology to be utilized, could materially adversely affect completion of the TRRP and achievement of expected performance, and significantly increase the Acceptable Materials charge and/or result in accelerated depletion of the disposal capacity at the Tajiguas Landfill.

Failure of Providers of Performance and Payment Bonds. There can be no assurances that any surety or property insurer will be willing or capable of meeting its responsibilities in connection with the TRRP, or that the issuer of any performance or payment bond or property insurance policy will honor or will be able to honor a claim in a timely manner.

There can be no assurance that the performance and payment bonds provided by the TRRP Contractor will be sufficient to satisfy the TRRP Contractor's performance and payment obligations under the TRRP Contract. Not all events of nonperformance or nonpayment are covered under such performance and payment

bonds. The issuer of performance and payment bonds is not guaranteeing performance and payment under all circumstances, and the issuer of such bonds may assert any defenses it or the TRRP Contractor may have for performance and payment. Moreover, in the event that a default occurs under the TRRP Contract, there is a possibility of litigation between the County and the TRRP Contractor, or between the County and the providers of the performance bonds or payment bonds, which could further delay the construction and opening of the TRRP. In addition, there can be no assurance that the County could recover any amounts under any performance bonds or payment bonds.

Insufficiency or Unavailability of Liquidated Damages. The TRRP Contract provides for the payment of liquidated damages by the TRRP Contractor of up to \$5,000 per day for failure to meet certain development and construction milestones, and up to \$10,000 per day for failure to meet certain TRRP performance guarantees. (Such guarantees are subject to extension if the failure to comply results from the occurrence of one or more uncontrollable circumstances specified in the TRRP Contract.)

Collection of liquidated damages may require extensive litigation and no assurance can be provided that such amounts will in fact be collected. In addition, the TRRP Contractor is a special purpose limited liability company formed expressly for the TRRP Project. The obligations of the TRRP Contractor are not guaranteed by any other entity. The TRRP Contractor has no substantial assets other than its interest in the TRRP Contract. There can be no assurances that the TRRP Contractor will have the financial resources to pay liquidated damages that may become payable pursuant to the TRRP Contract.

Limited Insurance Coverage. Although the TRRP Contractor is required to provide certain types of insurance coverage during construction of the TRRP, such insurance does not cover damage and delay from all events that could interrupt construction. Risks that may delay the TRRP without causing property damage that may not be covered include the following risks: epidemics, blockades, strikes and riots. Other risks that may not be covered by insurance include war, nuclear events, criminal or intentional acts of the insured, unforeseeable environmental or geological conditions, discovery of archaeological artifacts, changes in law, bankruptcy and acts of terrorism. Insurance policies may not be maintained or obtainable in amounts that would be sufficient or be paid in sufficient time in all events to pay all of the County's expenses relating to the TRRP or the Solid Waste System generally. Insufficiency or unavailability of insurance proceeds could result in significant increases in the Acceptable Materials Charge or other materially adversely affect the financial condition of the Solid Waste System.

Risks Relating to Recovered Recyclable Materials. In the last few years the international markets for recovered recyclable materials have significantly contracted, and the prices received by sellers from the sale of such materials have significantly declined. The Feasibility Report reflects price reductions from historical levels. However, there can be no assurances that markets will not continue to contract and/or prices will decline below the levels assumed for purposes of the Projected Operating Results. Such circumstances would increase the operating costs of the TRRP payable by the County and the Public Participants. Such increases could be material.

Feasibility Report

The Feasibility Report included as Appendix A to this Official Statement contains certain assumptions and forecasts. The Feasibility Report should be read in its entirety for a discussion of historical and forecast results of the Solid Waste System and the assumptions and rationale underlying the forecasts. As noted in the Feasibility Report, any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material and adverse.

Accordingly, the Projected Operating Results contained in the Feasibility Report or that may be contained in any future certificate of the County or a consultant are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the County assumes any responsibility for the failure to

meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the County relating to the Solid Waste System are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the 2018 Certificates are cautioned not to place undue reliance upon the Feasibility Report or upon the Projected Operating Results. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the County to make timely payment of the principal of and interest on the 2018 Certificates may be materially adversely affected.

Neither the County's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Projected Operating Results, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Projected Operating Results, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenue forecast.

Proposition 218

Fees and charges imposed by the County and the Public Participants for solid waste collection services provided to residences and commercial establishments within their jurisdictions are subject to limitations imposed by State law. The following is a summary of certain of such limitations.

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the County and the Public Participants, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 became effective on November 6, 1996. Senate Bill 919 was enacted to provide certain implementing provisions for Proposition 218 and became effective July 1, 1997. Proposition 218 substantially restricts the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's and Public Participant's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal assessments, fees and charges. This initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (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; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more

than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIII C of Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County or the Public Participants will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges, including solid waste rates and charges.

Further, "fees" and "charges" are not defined in Article XIII C or SB 919. However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "Bighorn Decision") that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and Maintenance and Operation Costs. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

The initiative power granted under Article XIII C of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property-related. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals rates and charge for solid waste services.

Article XIID of Proposition 218 also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or

charge for a property related service.” All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County or Public Participant must then hold a hearing upon the proposed imposition or increase of such property based fee, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County or Public Participant may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two thirds voter approval by the electorate residing in the affected area.

The County does not believe that the requirements of Proposition 218 apply with respect to the rates and charges applicable to residences and commercial establishments which utilize solid waste collection services within the unincorporated area of the County.

The City of Santa Barbara believes that it has complied with the applicable notice and protest procedures for all existing rates and charges for solid waste collection services in accordance with Proposition 218, and there have been no legal challenges to increases in the rates and charges for solid waste collection services implemented by the City of Santa Barbara pursuant to Proposition 218 or otherwise.

The City of Goleta believes it has complied with the applicable notice and protest procedures for all increases in its rates and charges for solid waste collection services in accordance with Proposition 218, and that it is in compliance with the requirements of Proposition 218, and there have been no legal challenges to increases in the rates and charges for solid waste collection services implemented by the City of Goleta pursuant to Proposition 218 or otherwise.

The City of Solvang believes that the rates and charges applicable to residents and commercial establishments within the City of Solvang for solid waste collection services are not subject to the provisions of Proposition 218 and there have been no legal challenges to increases in the rates and charges for solid waste collection services implemented by the City of Solvang.

The implementation of the TRRP is expected to result in significant increases in the cost of use of the Solid Waste System, and corresponding increases in the rates and charges imposed on residences and commercial establishments located within the Public Participants’ jurisdictions. If written protests against any proposed increases are presented by a majority of the property owners (including property owners in the unincorporated area, the City of Buellton and the City of Solvang) or if, as a result of a legal challenge or otherwise, Proposition 218 is determined to be applicable, the fee could not be increased. Inability to increase rates and charges due to Proposition 218 could materially adversely affect the ability of the County to impose Acceptable Materials Charges and to generate Net Revenues in the amounts required by the 2018 Installment Purchase Contract.

Flow Control

On September 9, 1995, the United States Court of Appeals for the Second Circuit, in *SSC Corp. v. Town of Smithtown* (“*Smithtown*”), confirmed a governmental entity’s authority to include in a contract for solid waste collection by a private company a provision requiring such company to deliver such solid waste to a facility specified by the governmental entity. The court ruled that such designation of a disposal site did not violate the Commerce Clause of the United States Constitution. The United States Supreme Court declined to

review *Smithtown*. However, other federal courts have reached different conclusions, including the United States Court of Appeals for the Sixth Circuit, which in *Huish Detergents, Inc. v. Warren County; Monarch Environmental, Inc.*, reversed a United States District Court ruling which upheld such a disposal site designation. No assurances can be given that the issues addressed in *Smithtown* will not be addressed by a court in the Ninth Circuit (with jurisdiction over the County) or the United States Supreme Court or, if so addressed by courts with applicable jurisdiction, no assurances can be given that such courts would affirm the waste disposal site designation provision in the Delivery Agreements or the 2018 Installment Purchase Contract. However, in 2007, the United States Supreme Court, in a decision in *United Haulers Association v. Oneida-Herkimer Solid Waste Management Authority*, 127 S. Ct. 1786 (2007), upheld two New York counties' flow control ordinances that require trash haulers to deliver waste to government-owned processing facilities. While the counties in the *United Haulers Association* decision utilized an ordinance to require that haulers utilize their facilities, the County believes that the solid waste delivery requirements in the Delivery Agreements are consistent with the *United Haulers Association* decision.

Hazardous Waste

The County has implemented a hazardous waste inspection program at the Tajiguas Landfill and its transfer stations to monitor the waste stream and prevent the inadvertent or intended disposal of hazardous wastes, and all County-generated hazardous waste must be treated on-site or disposed of appropriately elsewhere within or outside of the State. In addition to inspection, the County has implemented public educational programs to inform the public of the need to exclude hazardous materials from the waste stream. Land disposal of untreated hazardous wastes is prohibited under State law, and federal law mandates that states have sufficient facility capacity to manage their own hazardous waste. Although the County has developed a County-wide hazardous waste management plan and operates a hazardous waste collection facility, no prediction can be made presently as to the adequacy of such plan to meet the future hazardous waste disposal needs in the County or of the cost of implementing such plan.

Natural Disasters

Potential damage to landfills from natural disasters, such as earthquake, flooding or tsunami could materially adversely affect the operations and financial condition of the Solid Waste System. Under these circumstances, a landfill may not meet regulatory requirements and may not be operable for some period of time. No prediction can be made as to the impact of natural disasters upon the County's ability to operate the Solid Waste System efficiently and effectively or to generate Net Revenues in the amounts required by the 2018 Installment Purchase Contract.

Climate Change

The change in the earth's average atmospheric temperature, generally referred to as "climate change," is expected to, among other things, increase the frequency and severity of extreme weather events and cause substantial flooding. The County cannot predict the timing, extent, or severity of climate change and its impact on the County's or the Public Participants' operations and finances (including the Solid Waste System) or economies, but there can be no assurances such impacts will not be material and adverse.

Cybersecurity

The County relies on computers and technology to conduct its operations. The County and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. There have been, however, only limited cyber-attacks on the County's computer system.

No assurances can be given that the County's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the County's

computer and information technology systems could impact its operations and damage the County's digital networks and systems, and the costs of remedying any such damage could be substantial. . In addition to the cost of recovery, the County could also be exposed to legal liability and incur reputation damage as constituents may lose confidence in the County's ability to protect information.

Limitations on Remedies and Bankruptcy

County and Public Participants. The enforceability of the rights and remedies of the holders of the 2018 Certificates, the obligations incurred by the County under the 2018 Installment Purchase Contract, and the 2018 Trust Agreement, and the obligations of the County and the Public Participants under the Delivery Agreements are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the holders of the 2018 Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights, and otherwise may materially adversely affect the payment of debt service with respect to, and the market value of, the 2018 Certificates.

Private Parties. If the TRRP Contractor or any of its primary subcontractors were to go into bankruptcy, they may stop performing their functions with respect to the TRRP Project, and it may be difficult to find a third party to act as successors for those obligations. Alternatively, the TRRP Contractor or primary subcontractors may take the position that unless the amount of its compensation is increased or the terms of its obligations are otherwise altered, it will stop performing its functions. The TRRP Contractor or primary subcontractors may also have the power, with the approval of the bankruptcy court, to assign their rights and obligations as operator to a third party without the consent, and even over the objection, of the parties, and without complying with the requirements of the applicable documents.

If any of the Collection Contractors for the County or Public Participants is in bankruptcy, then the County and Public Participants may be prohibited from taking any action to enforce any obligations of the Collection Contractors under the applicable documents or to collect any amount owing by the Collection Contractors under the applicable documents, unless the permission of the bankruptcy court is obtained.

There may be delays in payments on the 2018 Certificates while the court considers any of these issues. There may be other possible effects of a bankruptcy of the TRRP Contractor or the Collection Contractors that could result in delays or reductions in payments on the 2018 Certificates.

THE COUNTY

The County was established by an act of the Legislature on February 18, 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Santa Barbara as the County seat. The County has a population of approximately 435,700 and covers approximately 2,274 square miles, of which approximately one-third is located in the Los Padres National Forest, and is located on the California coast approximately 100 miles north of Los Angeles and approximately 300 miles south of San Francisco. The County is bordered by San Luis Obispo County to the north, Kern County on the east, Ventura County to the south and the Pacific Ocean on the west. The County contains eight incorporated cities.

The County has a general law form of government. A five-member Board of Supervisors, each member of which is elected by district to a four-year term, serves as the County's legislative body. Elections are held every two years on a staggered basis. A Chair is elected annually by and from the Members of the

Board of Supervisors. Also elected are the County Clerk-Recorder-Assessor, the Auditor-Controller, the District Attorney, the Superintendent of Schools, the Sheriff and Treasurer-Tax Collector/Public Administrator. A County Executive Officer and the County Counsel are appointed and hired by the Board of Supervisors.

THE CORPORATION

The Santa Barbara County Finance Corporation, Inc. was organized in July, 1983 as a California nonprofit public benefit corporation. The Corporation was formed for the specific and primary purpose of providing financial assistance to the County and other entities within the County in acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The Corporation was formed at the request of the County and consists of a five-member Board of Directors selected by the Board of Supervisors. The Directors of the Corporation receive no compensation. The Corporation has no financial liability to the Owners of the 2018 Certificates with respect to the payment of Installment Payments by the County or with respect to the performance by the County of the other agreements and covenants it is required to perform under the legal documents relating to the 2018 Certificates.

FINANCIAL STATEMENTS

The most recent audited financial statements (the “Financial Statements”) of the County of Santa Barbara for the fiscal year ended June 30, 2018, which include the business-type activities of the Resource Recovery Enterprise Fund, included in APPENDIX B – “COUNTY OF SANTA BARBARA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018,” have been examined by Brown Armstrong Accountancy Corporation, independent certified public accountants. The financial statements should be read in their entirety. Brown Armstrong Accountancy Corporation has consented to the inclusion of its report as Appendix B. Brown Armstrong Accountancy Corporation has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Brown Armstrong Accountancy Corporation with respect to any event subsequent to its report dated August 28, 2018.

TAX MATTERS

2018A Certificates and 2018B Certificates

In the opinion of Special Counsel, based on an analysis of existing laws, regulations, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each 2018 Installment Payment designated as and constituting interest paid by the County and received by the owners of the 2018A Certificates and 2018B Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), except that no opinion is expressed as to the exclusion from gross income of interest evidenced by the 2018B Certificates for any period during which such 2018B Certificates are held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities with respect to which the proceeds of the 2018B Certificates were used or is a “related person” within the meaning of Section 147(a) of the Code. In the further opinion of Special Counsel, interest evidenced by the 2018A Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel also observes that interest evidenced by 2018B Certificates is a specific preference item for purposes of the federal alternative minimum tax. Special Counsel is also of the opinion that interest evidenced by the 2018A Certificates and the 2018B Certificates is exempt from State of California personal income taxes. Special Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the amount, or the accrual or receipt of interest evidenced by, the 2018A Certificates and 2018B Certificates.

To the extent the issue price of any maturity of the 2018A Certificates or 2018B Certificates is less than the amount to be paid at maturity of such 2018A Certificate or 2018B Certificate (excluding amounts stated to be interest and payable at least annually over the term of such 2018A Certificate or 2018B Certificate), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest evidenced by the 2018A Certificate and 2018B Certificate which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2018A Certificates or 2018B Certificates is the first price at which a substantial amount of such maturity of the 2018A Certificates or 2018B 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 2018A Certificates or 2018B Certificates accrues daily over the term to maturity of such 2018A Certificate or 2018B Certificate 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 2018A Certificate or 2018B Certificate to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2018A Certificate or 2018B Certificate. Beneficial Owners of the 2018A Certificates or 2018B Certificates should consult their own tax advisors with respect to the tax consequences of ownership of 2018A Certificates or 2018B Certificates with original issue discount, including the treatment of Beneficial 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 2018A Certificates or 2018B Certificates is sold to the public.

2018A Certificates and 2018B Certificates purchased, whether at original issuance or otherwise, for an amount higher 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 in the case of bonds, like the Premium Certificates, the interest evidenced by which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond 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 2018A Certificates and 2018B Certificates. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest evidenced by the 2018A Certificates and 2018B Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the 2018A Certificates and 2018B Certificates being included in gross income for federal income tax purposes, possibly from the date of issuance thereof. 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 the attention of Special Counsel after the date of issuance of the 2018A Certificates and 2018B Certificates may adversely affect the value of, or the tax status of interest evidenced by, the 2018A Certificates and 2018B Certificates. 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 interest evidenced by the 2018A Certificates and 2018B Certificates 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 evidenced by, the 2018A Certificates and 2018B Certificates may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the 2018A Certificates and 2018B Certificates 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 Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2018A Certificates and 2018B Certificates. Prospective purchasers of the 2018A Certificates and 2018B Certificates should consult their own tax advisors regarding any pending or proposed federal or state 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 2018A Certificates and 2018B Certificates 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 2018A Certificates and 2018B Certificates ends with the issuance thereof, and, unless separately engaged, Special Counsel is not obligated to defend the County or the Beneficial Owners regarding the status of the 2018A Certificates and 2018B Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the County and their appointed counsel, including the Beneficial 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 securities 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 2018A Certificates and 2018B Certificates for audit, or the course or result of such audit, or an audit of tax-exempt securities presenting similar tax issues may affect the market price for, or the marketability of, the 2018A Certificates and 2018B Certificates, and may cause the County or the Beneficial Owners to incur significant expense.

The proposed form of opinion of Special Counsel is attached as Appendix D.

2018C Certificates

Special Counsel observes that the portion of each 2018 Installment Payment designated as and constituting interest paid by the County and received by the owners of the 2018C Certificates is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Special Counsel is of the opinion that interest evidenced by the 2018C Certificates is exempt from State of California personal income taxes. Special Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the amount, or the accrual or receipt of interest evidenced by, the 2018C Certificates.

If the County defeases any 2018C Certificate, such 2018C Certificate may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In that event, the Beneficial Owner of the 2018C Certificate will recognize taxable gain or loss equal to the difference between the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the Beneficial Owner's adjusted tax basis in the 2018C Certificate.

The proposed form of opinion of Special Counsel is attached hereto as Appendix D.

CERTAIN LEGAL MATTERS

Certain legal matters in connection with the 2018 Certificates are subject to the approval of Orrick Herrington & Sutcliffe LLP, Special Counsel to the County. Certain legal matters will be passed upon for the County by the County Counsel and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the County, and for the Corporation by the County Counsel. Certain matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. The fees of Special Counsel and Disclosure Counsel are contingent and payable only upon execution and delivery of the 2018 Certificates. Special Counsel, Disclosure Counsel and counsel to the Underwriters assume no responsibility for the accuracy, completeness or fairness of the Official Statement.

LITIGATION

To the best knowledge of the County there is no action, suit or proceeding known to be pending or threatened restraining or enjoining the execution or delivery of the 2018 Certificates, the 2018 Trust Agreement, the 2018 Installment Purchase Contract, or any other document relating to the 2018 Certificates, or in any way contesting or affecting the validity of the foregoing, or of the Delivery Agreements or TRRP Contract.

There are a number of lawsuits and claims pending against the County, including property damage, personal injury and wrongful death actions, including a number of claims related to the 2017 Thomas Fire and 2018 Montecito debris flow. These lawsuits and claims seek unspecified damages, some of which might be in excess of the County's insurance limits or outside its policy coverage. There is also a pending class action lawsuit against the County concerning conditions of confinement at the County's Main Jail. This case seeks remedial actions, not damages. The County, however, has been informed that funding for the potential remedial measures would be outside its excess insurance coverage. Any amounts payable with respect to such litigation would not be payable from Revenues of the Resource Recovery Enterprise Fund. The County therefore does not expect that adverse judgments in any of these matters would have a material adverse effect on the ability of the County to pay debt service on the 2018 Certificates.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned the 2018 Certificates ratings of "___" and "___," respectively. Such ratings reflect only the view of such rating agencies, and do not constitute a recommendation to buy, sell or hold the 2018 Certificates. Explanation of the significance of such ratings may be obtained only from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely, if in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of ratings may have an adverse effect on the market price of the 2018 Certificates.

UNDERWRITING

The 2018 Certificates are being purchased by the underwriters listed on the cover page of this Official Statement (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the 2018 Certificates at a price of \$_____, which is equal to the principal amount of the 2018 Certificates, plus original issue premium of \$_____, less underwriters' discount of \$_____. The purchase contract relating to the 2018 Certificates provides that the Underwriters will purchase all of the 2018 Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the 2018 Certificates to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriters.

Citigroup Global Markets Inc. has provided the following information for inclusion in the Official Statement.

[[Citigroup Global Markets Inc., an underwriter of the 2018 Certificates, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2018 Certificates.]]

MUNICIPAL ADVISOR

The County has entered into an agreement with KNN Public Finance LLC (the “Municipal Advisor”), pursuant to which the Municipal Advisor provides financial recommendations and guidance to the County with respect to preparation for sale of the 2018 Certificates, timing of sale, bond market conditions, costs of issuance and other factors related to the sale of the 2018 Certificates. The Municipal Advisor has read and participated in the drafting of certain portions of this Official Statement. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Owners (including beneficial owners of the 2018 Certificates) to provide certain financial information and operating data relating to the Solid Waste System (the “Annual Report”) by not later than nine months after the end of the County’s fiscal year (which currently ends June 30), commencing with the report for the 2018-19 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and any notices of enumerated events will be filed by the County with the Municipal Securities Rulemaking Board (“MSRB”) through its EMMA system. The specific nature of the information to be contained in the Annual Report or the notices of material events is included under the caption APPENDIX E — “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”).

In December 2016 the County made a filing with respect to a rating update with respect to the 2008 A-2 Certificates which occurred in October 2016.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. 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 is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the 2018 Certificates.

The execution and delivery of this Official Statement has been duly authorized by the County.

COUNTY OF SANTA BARBARA

By: _____
Harry Hagen, Treasurer-Tax Collector

APPENDIX A
FEASIBILITY REPORT

APPENDIX B
COUNTY OF SANTA BARBARA AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

APPENDIX C
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX D
FORM OF LEGAL OPINION

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The County, the Corporation, the Trustee and the Underwriter do not give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the 2018 Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The County, the Trustee or the Underwriter are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2018 Certificates or an error or delay relating thereto.

The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2018 Certificates, payment of principal, prepayment premium, if any, and interest with respect to the 2018 Certificates to The Depository Trust Company (“DTC”), New York, NY, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2018 Certificates and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the County of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The County, the County, the Trustee and the Underwriter understand that the current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the 2018 Certificates. The 2018 Certificates 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 2018 Certificate will be issued for each maturity of the 2018 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest 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 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 is rated AA+ by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated by reference.

Purchases of the 2018 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2018 Certificate ("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 2018 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2018 Certificates, except in the event that use of the book-entry system for the 2018 Certificates is discontinued.

To facilitate subsequent transfers, all 2018 Certificates 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 the 2018 Certificates 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 2018 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2018 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Certificates, such as prepayments, tenders, defaults, and proposed amendments to the 2018 Trust Agreement. For example, Beneficial Owners of the 2018 Certificates may wish to ascertain that the nominee holding the 2018 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC, if less than all of the 2018 Certificates within a maturity are being prepaid. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2018 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest with respect to the 2018 Certificates 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, the County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the County or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, premium, if any, and interest with respect to the 2018 Certificates by Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the

responsibility of the County, the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2018 Certificates at any time by giving reasonable notice to the County, the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2018 Certificate certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2018 Certificate certificates will be printed and delivered.

The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and the County, the Corporation, the Underwriters or the Trustee do not take any responsibility for the accuracy thereof.

THE COUNTY, THE CORPORATION, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF 2018 CERTIFICATES FOR PREPAYMENT.

The County, the Corporation, the Underwriters and the Trustee do not give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest with respect to the 2018 Certificates paid to DTC or its nominee, as the registered Owner, or any prepayment or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the 2018 Trust Agreement will apply.

The County, the County and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the 2018 Certificates paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the County nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2018 Certificates or an error or delay relating thereto.

NONE OF THE COUNTY, THE CORPORATION, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE 2018 CERTIFICATES TO BE PREPAID IN THE EVENT OF PREPAYMENT OF LESS THAN ALL 2018 CERTIFICATES OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE 2018 CERTIFICATES. NO ASSURANCE CAN BE GIVEN BY THE COUNTY, THE CORPORATION, THE TRUSTEE OR THE UNDERWRITER THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING PREPAYMENT NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE 2018 CERTIFICATES TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.