

## DISTRICT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated December \_\_, 2021 (the “**Disclosure Agreement**”) is executed and delivered by Community Facilities District No. 2016-1 (Monte Bella) of the City of Salinas (the “**Issuer**”) in connection with the issuance of the Issuer’s \$\_\_\_\_ 2020 Special Tax Bonds (Improvement Area No. 3) (the “**Bonds**”). The Bonds are being issued pursuant to a Bond Indenture, dated as of December 1, 2020 (the “**Bond Indenture**”), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A. The Issuer covenants as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule.

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

“**Annual Report**” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

“**City**” means the City of Salinas, California.

“**Disclosure Representative**” means the City Manager of the City, the Finance Director of the City, or the designee thereof, or such other officer or employee as the Issuer shall designate in writing from time to time.

“**Dissemination Agent**” means, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“**Financial Obligation**” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule and the issuer thereof has entered into a continuing disclosure undertaking for such municipal securities.

“**Fiscal Year**” means the period from July 1 to June 30, or any other period selected by the Issuer as its fiscal year.

“**Improvement Area**” means Improvement Area No. 3 of the Issuer.

“**Listed Events**” means any of the events listed in Section 5(a) and (b) of this Disclosure Agreement.

**“MSRB”** means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

**“Official Statement”** means the Official Statement relating to the Bonds, dated December \_\_, 2020.

**“RMA”** means the Rate and Method of Apportionment of Special Tax approved by the qualified electors of the Improvement Area.

**“Rule”** means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**“State”** means the State of California.

**“Underwriter”** means the original underwriters of the Bonds that are required to comply with the Rule in connection with the offering of the Bonds.

### **SECTION 3. Provision of Annual Reports.**

(a) The Issuer shall, or, upon delivery of the Annual Report to the Dissemination Agent (if other than the Issuer), shall cause the Dissemination Agent to, not later than April 1 of each year, commencing April 1, 2021, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement; provided that the first Annual Report due by April 1, 2021 shall consist solely of the Official Statement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to each April 1, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in a timely manner in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to April 1 the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Issuer, certify to the Issuer that the Annual Report has been filed with the MSRB pursuant to this Disclosure Agreement, and stating, to the extent that it can confirm such filing of the Annual Report, the date that it was filed.

**SECTION 4. Content of Annual Reports.** The Issuer’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer, if any have been prepared, for the most recent Fiscal Year of the Issuer then ended. If the audited financial statements are being prepared and are not available by the time that the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain any available unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Bond Indenture. Audited financial statements, if prepared by the Issuer, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to EMMA, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis. The financial statements of the City shall be filed to the extent that the Issuer does not prepare audited financial statements, but the financial statements of the City shall not be deemed to be the financial statements of the Issuer unless such audited financial statements contain specific information as to the Issuer, its revenues, expenses and account balances. If the City's audited financial statements contain specific information as to the Issuer, its revenues, expenses and account balances, the Issuer's Annual Report shall contain or incorporate by reference the City's audited financial statements. If the City's audited financial statements contain specific information as to the Issuer, its revenues, expenses and account balances, but are not available at the time required for filing, unaudited financial statements of the City that contain specific information as to the Issuer, its revenues, expenses and account balances shall be submitted with the Annual Report and the City's audited financial statements shall be submitted once available.

(b) To the extent not contained in the audited financial statements filed pursuant to subsection (a):

(i) The total dollar amount of delinquencies in the Improvement Area as of each October 1 preceding to the April 1 Annual Report due date and, in the event that the total delinquencies within the Improvement Area as of such October 1 in any year exceed 5% of the Special Tax for the previous year, delinquency information for each parcel, including the amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(ii) The amount of prepayments of the Special Tax with respect to the Improvement Area for the prior Fiscal Year.

(iii) A land ownership summary listing property owners responsible for more than 5% of the annual Special Tax levy, as shown on the Monterey County Assessor's last equalized tax roll prior to each September preceding the April 1 Annual Report due date.

(iv) The principal amount of the Bonds outstanding and the balance in the Reserve Account (along with a statement of the Reserve Requirement) as of each September 30 preceding the April 1 Annual Report due date.

(v) The total assessed value (per the Monterey County Assessor's records) of all parcels currently subject to the Special Tax within the Improvement Area, showing the total assessed valuation for all parcels within the Improvement Area and with separate columns

showing the assessed value of improved and unimproved parcels. Parcels are considered improved if there is an assessed value for the improvements in the Monterey County Assessor's records.

(vi) An updated table in substantially the form of Table 6 in the Official Statement entitled "Estimated Value-to-Lien Ratios Allocated by Property Ownership" based upon the most recent information available, provided that assessed values shown on the Monterey County Assessor's most recent equalized tax roll prior to each September preceding the April 1 Annual Report due date may be substituted for appraised values.

(vii) Any changes to the RMA since the filing of the prior Annual Report.

(viii) A copy of the annual information required to be filed by the City with the California Debt and Investment Advisory Commission pursuant to the Mello-Roos Community Facilities Act of 1982, as amended and relating generally to outstanding Issuer bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(ix) In addition to any of the information expressly required to be provided under paragraphs (i) through (viii) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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

## SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB).

(vi) Tender offers.

(vii) Defeasances.

(viii) Rating changes.

(ix) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.\*

(x) Bankruptcy, insolvency, receivership or similar proceedings.

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

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after occurrence:

(i) Unless described in Section 5(a)(v), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.

(ii) Modifications to the rights of Bondholders.

(iii) Bond calls.

(iv) Release, substitution or sale of property securing repayment of the Bonds.

(v) Non-payment related defaults.

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

(vii) Appointment of a successor or additional trustee or the change of the name of a trustee.

(viii) Incurrence of a Financial Obligation of the Issuer or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders.\*

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\* The Issuer shall interpret the events identified in Section 5(a)(ix) in accordance with Release No. 34-83885 adopted by the Securities and Exchange Commission on August 20, 2018 and or any future guidance or releases provided by the Securities and Exchange Commission.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Issuer, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event. Notwithstanding the foregoing, notice of Listed Events described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Bond Indenture.

(d) If the Issuer determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Issuer, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Issuer and, if the Dissemination Agent is other than the Issuer, the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

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

**SECTION 7. Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty days' written notice to the Issuer and the Trustee. The Dissemination Agent shall have no duty to review any information provided to it by the Issuer. The Dissemination Agent shall have no duty to prepare any information report, nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule, and provided further that the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given

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\* The Issuer shall interpret the events identified in Section 5(b)(viii) in accordance with Release No. 34-83885 adopted by the Securities and Exchange Commission on August 20, 2018 and or any future guidance or releases provided by the Securities and Exchange Commission.

in the same manner as for a Listed Event under Section 5(a); and (b) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

**SECTION 10. Default.** In the event of a failure by the Issuer to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Owner or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Issuer satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Issuer shall have refused to comply therewith within a reasonable time.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Owners, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 12. Notices.** Any notices or communications to or among any of the parties to this Disclosure Agreement may be given to the Dissemination Agent (if other than the Issuer) at such address provided by the Dissemination to the Issuer, and to the Issuer as follows:

Disclosure Representative: City of Salinas  
200 Lincoln Avenue  
Salinas, California 93901  
Attention: Finance Director

SECTION 13. Beneficiaries. This Disclosure Agreement inures solely to the benefit of the Issuer, the Dissemination Agent, the Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Signature. This Disclosure Agreement has been executed by the undersigned on the date hereof, and such signature binds the Issuer to the undertaking herein provided.

COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(MONTE BELLA) OF THE CITY OF SALINAS

By: \_\_\_\_\_  
Its: City Manager of the City of Salinas

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Community Facilities District No. 2016-1 (Monte Bella) of the City of Salinas

Name of Issue: 2020 Special Tax Bonds (Improvement Area No. 3)

Date of Issuance: December \_\_, 2020

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

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

Dissemination Agent

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