

November 14, 2024

Michele Light, Finance and Debt Manager  
County of San Diego  
1600 Pacific Highway  
San Diego, CA 92101

Dear Michele:

This letter is provided under Municipal Securities Rulemaking Board (MSRB) Rule G-42 in connection with our engagement to provide as-needed municipal advisory services for the County of San Diego (County) and Public Resources Advisory Group, Inc. (PRAG) effective November 1, 2024 (Agreement). This letter will serve as written documentation required under MSRB Rule G-42 of certain specific terms, disclosures and other items of information relating to our municipal advisory relationship as of the date this letter is signed by PRAG.

**1. Scope of Services**

- a. **Services to be Provided:*** The scope of services with respect to PRAG's engagement with the County is as provided in the Agreement.
- b. **Limitations on Scope of Services:*** The Scope of Services is subject to such limitations as provided in the Agreement.

**2. Term.** The term of PRAG's engagement as municipal advisor and the terms on which the engagement may be terminated are as provided in the Agreement.

**3. Municipal Advisor's Regulatory Duties When Servicing the County.** MSRB Rule G-42 requires that PRAG make a reasonable inquiry as to the facts that are relevant to the County's determination whether to proceed with a course of action or that form the basis for the advice provided by PRAG with respect to municipal financial products or the issuance of municipal securities, including with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues, based on all the facts and circumstances. The rule also requires that PRAG undertake a reasonable investigation to determine that it is not basing any recommendation on materially inaccurate or incomplete information. PRAG is also required under the rule to use reasonable diligence to know the essential facts about the County and the authority of each person acting on the County's behalf.

Accordingly, PRAG will seek the County's assistance and cooperation with the carrying of these regulatory duties, including providing to PRAG accurate and complete information and reasonable access to relevant documents, other information and personnel needed to fulfill such duties. In addition, if the County provides direction to PRAG to review a recommendation made by a third party, PRAG requests that the County provide any information it has received from such third party relating to its recommendation.

**4. Compensation.** The form and basis of compensation for PRAG's services as municipal advisor are provided in the Agreement.

**5. Disclosures of Conflicts of Interest.** MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable. Accordingly, PRAG makes the following disclosures with respect to material conflicts of interest in connection with the Scope of Services under this Agreement, together with explanations of how PRAG addresses or intends to manage or mitigate each conflict.

With respect to all of the conflicts disclosed below, PRAG mitigates such conflicts through its adherence to its fiduciary duty to the County, which includes a duty of loyalty to the County in performing all municipal advisory activities for the County. This duty of loyalty obligates PRAG to deal honestly and with the utmost good faith with the County and to act in the County's best interests without regard to PRAG's financial or other interests.

**(a) Compensation-Based Conflicts:**

(i) Some of the fees due under this Agreement may be contingent upon the delivery of the issue. While this form of compensation is customary in the municipal securities market, this may present a potential conflict of interest because it could create an incentive for PRAG to recommend unnecessary financings or financings that are disadvantageous to the County;

(ii) Some of the fees due under this Agreement are in a fixed amount. The amount is usually based upon an analysis by the County and PRAG of, among other things, the duration and complexity of the transaction, the contingent liability associated with publicly offered transactions, and the Scope of Services performed or to be performed by PRAG. This form of compensation presents a potential conflict of interest because it could create an incentive for PRAG to recommend alternatives that would result in more hours worked before the determination of the fixed amount; and after determination of the fixed amount, PRAG may have the incentive to recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives; and

(iii) Some of the fees due under this Agreement are based on hourly fees of PRAG's personnel, with the aggregate amount equaling the number of hours worked by such personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest because it could create an incentive for PRAG to recommend alternatives that would result in more hours worked.

**(b) Other Municipal Advisor Relationships:**

PRAG serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of the County. For example, PRAG serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the County under this Agreement. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, PRAG could potentially face a conflict of interest arising from these competing client interests.

**6. Disclosures of Information Regarding Legal Events and Disciplinary History.** MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel. Accordingly, PRAG sets out below required disclosures and related information in connection with such disclosures.

On September 17, 2024, Public Resources Advisory Group, Inc. filed an amendment to its Form MA disclosing the firm's settlement with the SEC of matters relating to failure to maintain and preserve text communications. The Form MA filing may be electronically accessed at the following link:

[https://www.sec.gov/Archives/edgar/data/1612223/000161222324000008/xslFormMA\\_X01/primary\\_doc.xml](https://www.sec.gov/Archives/edgar/data/1612223/000161222324000008/xslFormMA_X01/primary_doc.xml).

The County may also electronically access the Form MA-I filed with the SEC for each of PRAG's registered advisors at the following website:

<https://www.sec.gov/edgar/browse/?CIK=1612223>.

**7. Future Supplemental Disclosures.** As required by MSRB Rule G-42, this letter may be supplemented or amended, from time to time as necessary, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of PRAG. PRAG will provide the County with any such supplement or amendment as it becomes available throughout the term of the Agreement.

**8. Other Required Disclosure (G-10).** The MSRB website at [www.msrb.org](http://www.msrb.org) includes the Municipal Advisory client brochure that describes the protections that may be provided by the MSRB Rules and how to file a complaint with an appropriate regulatory authority.

Sincerely,



Michelle Issa  
Senior Managing Director  
Public Resources Advisory Group, Inc.