

INSURED RATING: S&P: "AA"

UNDERLYING RATING: S&P: "A+"

(See "CONCLUDING INFORMATION - Ratings on the 2020 Bonds" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$18,345,000*

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1
2020 SPECIAL TAX PARITY BONDS**

Dated: Date of Issuance**Due: September 1, as shown on inside cover page**

The Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 2020 Special Tax Parity Bonds, (the "2020 Bonds") are being issued by the Santa Cruz Libraries Facilities Financing Authority (the "Authority") for and on behalf of the Community Facilities District No. 2016-1 (the "District") to (1) construct and/or improve library facilities located within the District, (2) purchase a municipal bond debt service reserve insurance policy for the 2020 Bonds, and (3) pay costs of issuing the 2020 Bonds, including the premium for a municipal bond insurance policy.

The 2020 Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code), and pursuant to a Fiscal Agent Agreement dated as of June 1, 2017 as amended and supplemented by a First Supplemental Fiscal Agent Agreement dated as of March 1, 2020 (as amended and supplemented, the "Fiscal Agent Agreement"), each between the Authority, on behalf of the District, and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent. The 2020 Bonds are special obligations of the Authority and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on taxable land within the District (less certain administrative expenses) and from certain other funds pledged under the Fiscal Agent Agreement on a parity with outstanding special tax bonds issued for the District, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment of special taxes approved by the Authority and the qualified electors within the District. See "SECURITY FOR THE BONDS - Special Taxes." The Board of the Authority is the legislative body of the District.

Interest on the 2020 Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2020. Initial purchases of beneficial interests in the 2020 Bonds will be made in book-entry form and the 2020 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Bond denominations are \$5,000 and any integral multiple in excess thereof. Purchasers of beneficial interests in the 2020 Bonds will not receive certificates representing their interests in the 2020 Bonds and will not be paid directly by the Fiscal Agent. See "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM."

The 2020 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturity, as described herein. See "THE 2020 BONDS - Redemption of 2020 Bonds" herein.

Neither the faith and credit of the Authority nor the faith and credit or the taxing power of the cities of Capitola, Santa Cruz or Scotts Valley, the County of Santa Cruz, the State of California or any political subdivision thereof is pledged to the payment of the 2020 Bonds. Except for the Net Special Taxes, no other taxes are pledged to the payment of the 2020 Bonds. The 2020 Bonds are special tax obligations of the Authority for the District payable solely from Net Special Taxes and certain amounts held under the Fiscal Agent Agreement as more fully described herein. The Authority has no taxing power.

The scheduled payment of principal of and interest on the 2020 Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2020 Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See "MUNICIPAL BOND INSURANCE" and "APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."



Certain events could affect the ability of the Authority to pay the principal of and interest on the 2020 Bonds when due. The purchase of the 2020 Bonds involves significant risks, and the 2020 Bonds are not suitable investments for all investors. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2020 Bonds.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information that is essential to an informed investment decision.

The 2020 Bonds are being offered when, as and if issued by the Authority on behalf of the District, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the Authority by Atchison, Barisone & Condotti, a Professional Corporation, Santa Cruz, California, as General Counsel to the Authority and by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. Delivery of the 2020 Bonds through the facilities of The Depository Trust Company is expected to occur on or about March 12, 2020.

The date of the Official Statement is _____, 2020.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdiction.

\$18,345,000*

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1
2020 SPECIAL TAX PARITY BONDS**

MATURITY SCHEDULE

(Base CUSIP†: 80175L)

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP®†</u>
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* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the 2020 Bonds. Neither of the Authority or the Municipal Advisor is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2020 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2020 Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the Authority with respect to the 2020 Bonds that has been deemed “final” by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No Offering May Be Made Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2020 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2020 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the District since the date of this Official Statement.

Use of This Official Statement. This Official Statement is submitted in connection with the sale of the 2020 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2020 Bonds.

Preparation of This Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. All summaries of the 2020 Bonds, the Fiscal Agent Agreement and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information. See “INTRODUCTION - Summaries Not Definitive.”

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market price of the 2020 Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2020 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

2020 Bonds are Exempt From Securities Laws Registration. The 2020 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY, ON BEHALF OF THE DISTRICT, DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the 2020 Bonds or the advisability of investing in the 2020 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

The Santa Cruz Public Library maintains a website that includes information about the Authority but the information on such website is not included in the Official Statement.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
SANTA CRUZ, CALIFORNIA**

Board

Jamie Goldstein, Chair, City of Capitola
Martín Bernal, Vice Chair, City of Santa Cruz
Tina Friend, Member, City of Scotts Valley
Carlos Palacios, Member, County of Santa Cruz

Authority Staff

Susan Nemitz, Executive Director
Edith Driscoll, Treasurer-Controller

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Fiscal Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

\$18,345,000*

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1 2020 SPECIAL TAX PARITY BONDS

This Official Statement which includes the cover page, the inside front cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 2020 Special Tax Parity Bonds (the “2020 Bonds”), in the aggregate principal amount of \$18,345,000*.

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the 2020 Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see “SPECIAL RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the 2020 Bonds, see the summary included in “APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT” herein.

General

The 2020 Bonds are being issued by the Authority, on behalf of the District, under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code) (the “Act”), and a Fiscal Agent Agreement dated as of June 1, 2017 as amended and supplemented by a First Supplemental Fiscal Agent Agreement dated as of March 1, 2020 (as amended and supplemented, the “Fiscal Agent Agreement”), each between the Authority, on behalf of the District, and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent (the “Fiscal Agent”).

The District was established by the Board of the Authority (the “Board”), acting as legislative body of the District, pursuant to proceedings under the Act on February 11, 2016. See “THE DISTRICT - Authorization” herein. The 2020 Bonds were authorized to be issued by a resolution adopted by the Board on February 6, 2020 (the “Resolution of Issuance”). The 2020 Bonds are being issued pursuant to the Act, the Resolution of Issuance, and the Fiscal Agent Agreement. See “THE 2020 BONDS - Authority for Issuance.”

Application of Proceeds

The net proceeds of the 2020 Bonds will be used to (1) construct or improve library facilities located within the District, (2) purchase a municipal bond debt service reserve fund insurance policy for the 2020 Bonds, and (3) pay costs of issuing the 2020 Bonds, including the premium for a municipal bond insurance policy. See “SOURCES AND USES OF 2020 BOND PROCEEDS” herein.

* Preliminary, subject to change.

The Authority

The Authority was formed in December 2014 pursuant to a Joint Exercise of Powers Agreement (the “JPA Agreement”). The parties to the JPA Agreement (referred to herein as the “Members”) consist of representatives from the County of Santa Cruz (the “County”), and the cities of Capitola, Santa Cruz and Scotts Valley. The Authority is governed by a four-member Board comprised of the County Administrative Officer and the City Manager of each City. The JPA Agreement was amended and restated on February 28, 2017 and further amended on September 25, 2018.

The District

The District encompasses the cities of Capitola, Santa Cruz and Scotts Valley and the unincorporated areas of the County. This represents all of the land within the County, with the exception of the approximate 6.2 square miles located in the City of Watsonville in the southwestern area of the County. The property in the District currently contains over 69,000 County Assessor’s parcels subject to the Special Tax (defined below), of which 77% are developed with single family residential units and another 18% are developed with multifamily residential units, with the remaining 5% of parcels being either agricultural, commercial, recreational or mixed use. See “THE DISTRICT - General” herein.

The District has been formed by the Board pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State of California (the “State”). Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness. The Board acts as the legislative body of the District.

Formation Proceedings.

Pursuant to the Act, in December 2015, the Board adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of special taxes on taxable property within the boundaries of the District, and to incur bonded indebtedness within the District. See “THE DISTRICT - Authorization.” The Bonds are secured by a pledge of and are payable solely from Net Special Taxes (as defined herein) levied on Developed Property within the District. In February 2016, following public hearings conducted pursuant to the provisions of the Act, the Board adopted resolutions establishing the District and calling a special election to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters residing within the District. On June 7, 2016, at an election held pursuant to the Act, the registered voters of the District, by more than a two-thirds vote, authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed \$67,000,000 to be secured by the levy of Special Taxes on taxable property within the District. At that same election, the registered voters within the District approved the rate and method of apportionment of the Special Taxes for the District (the “Rate and Method”).

Parity Bonds

On June 15, 2017, the Authority, on behalf of the District, issued the Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 2017 Special Tax Bonds (the “2017 Bonds”) in the original aggregate principal amount of \$21,170,000, of which \$20,490,000 principal amount is currently outstanding. The 2020 Bonds are payable from Net Special Taxes (as defined below) on a parity with the 2017 Bonds. See the caption “SECURITY FOR THE BONDS - Parity Bonds” for a discussion of the conditions under which the Authority, on behalf of the District, may issue additional bonds that are

payable on a parity with the 2017 Bonds and the 2020 Bonds. The 2020 Bonds together with the 2017 Bonds and any future Parity Bonds are referred to herein as the “Bonds.”

Following the issuance of the 2020 Bonds, the District will have a remaining unused bonding authorization of \$28,955,000*.

Security for the Bonds

The Authority has pledged to repay the Bonds from Net Special Taxes and certain funds pledged therefor pursuant to the Fiscal Agent Agreement. “Net Special Taxes” means the proceeds of the Special Taxes (as defined below) received by the Authority, including any scheduled payments and any prepayments thereof, after the “Administrative Expense Requirement” (as defined herein) is funded in each year. See “APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1” and “APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT.” In the event that the Special Taxes are no longer included in the County’s Teeter Plan, Net Special Taxes would also include collections of any delinquent Special Taxes and proceeds of the redemption or sale of property sold as a result of the foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. See “SECURITY FOR THE BONDS - Teeter Plan; Foreclosure Proceedings”.

“Special Taxes” is used in this Official Statement to mean the special taxes levied pursuant to the Act, the Ordinance Levying Special Taxes, the Rate and Method and the Fiscal Agent Agreement on parcels of Developed Property within the District (that is, taxable property for which the County has assigned a Use Code indicating residential, commercial, agricultural, or recreational use and which are not vacant, including agricultural property used for farming even if there is no structure on the property). See “SECURITY FOR THE BONDS - Special Taxes.” Under the Fiscal Agent Agreement, the Authority has agreed to levy the Special Tax, and to repay the Bonds from the Net Special Taxes and from certain amounts on deposit in the Special Tax Fund and the Bond Fund established under the Fiscal Agent Agreement. See “APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT.”

Limited Liability

Although the unpaid Special Taxes constitute a lien on the Developed Property within the District, they do not constitute a personal indebtedness of any landowner within the District, or any future property owner of Developed Property in the District. There is no assurance that the current owners of the Developed Property within the District, or any future property owners of Developed Property within the District, will be financially able to pay the Special Taxes or that they will pay the Special Taxes even though financially able to do so.

The Bonds are payable solely from the proceeds of the Net Special Taxes levied annually on the Developed Property within the District and received by the Authority and amounts in certain funds established under the Fiscal Agent Agreement. Neither the faith and credit of the Authority nor the faith and credit or the taxing power of the cities of Capitola, Santa Cruz or Scotts Valley, the County of Santa Cruz, the State of California, or any political subdivision thereof (other than of the District, to the limited extent set forth in the Fiscal Agent Agreement) is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any of the property or revenues of the Authority, and the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is not a general debt, liability or obligation of the Authority or the District. The Authority has no taxing power.

* Preliminary, subject to change.

Legal Matters

The legal proceedings relating to the issuance, sale and delivery of the 2020 Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed on for the Authority by Atchison, Barisone & Condotti, a Professional Corporation, Santa Cruz, California, in its capacity as General Counsel to the Authority, and by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel.

Tax Matters

In the opinion of Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, interest on the 2020 Bonds is excluded from gross income of the owners of the 2020 Bonds for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes. See “TAX MATTERS” and Appendix B hereto.

Offering of the 2020 Bonds

The 2020 Bonds are offered, when, as and if issued, subject to the approval as to their legality by Bond Counsel. It is anticipated that the 2020 Bonds, in book-entry form, will be available for delivery on or about March 12, 2020 through the facilities of The Depository Trust Company (“DTC”). See “APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM.”

Summaries Not Definitive

Brief descriptions of the 2020 Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Certificate, the security for the 2020 Bonds, the Authority, the District, the Developed Property in the District and certain other documents and information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. Any references to documents herein are qualified by reference to the complete text thereof. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given them in the Fiscal Agent Agreement, some of which are set forth in “APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT.” Copies of documents referenced herein may be obtained upon written request and payment of the cost of mailing and duplication from the Fiscal Agent in Los Angeles, California.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2020 Bonds are as follows:

Sources of Funds

Principal Amount of 2020 Bonds
Net Original Issue Premium
Underwriter's Discount
Total Net Proceeds

Uses of Funds ⁽¹⁾

Costs of Issuance ⁽²⁾
Improvement Fund - County Subaccount ⁽³⁾
Improvement Fund - Capitola Subaccount ⁽³⁾
Improvement Fund - Scotts Valley Subaccount ⁽³⁾
Total

⁽¹⁾ The Fiscal Agent will deposit the 2020 Reserve Policy in the 2020 Account of the Reserve Fund. See "SECURITY FOR THE BONDS - 2020 Reserve Account."

⁽²⁾ To be used to pay costs of issuance of the 2020 Bonds, including Bond Counsel fees, Disclosure Counsel fees, initial Fiscal Agent fees, Municipal Advisor's fees, rating fees, 2020 Insurance Policy and 2020 Reserve Policy premiums, Official Statement printing and other costs of issuance.

⁽³⁾ See "THE DISTRICT - Description of Authorized Facilities."

THE 2020 BONDS

Authority for Issuance

The District was established and bonded indebtedness of the District in an amount not to exceed \$67,000,000 was authorized pursuant to the provisions of the Act. The 2020 Bonds will be issued pursuant to the Act, the Resolution of Issuance, and the Fiscal Agent Agreement.

Description of the 2020 Bonds

The 2020 Bonds are dated their date of delivery (the “Closing Date”) and will mature in the amounts and in the years, and bear interest at the rates set forth on the inside cover page of this Official Statement. The 2020 Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple in excess thereof.

Interest on the 2020 Bonds will be payable semiannually on September 1 and March 1 of each year, commencing September 1, 2020 (each, an “Interest Payment Date”) and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2020 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month next preceding such Interest Payment Date (each a “Record Date”), in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a 2020 Bond, interest is in default thereon, such 2020 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Principal of the 2020 Bonds is payable by check in lawful money of the United States of America upon surrender of the 2020 Bonds at the Principal Office of the Fiscal Agent, or by wire transfer to DTC so long as the 2020 Bonds are in book-entry form as described below.

Book-Entry System. DTC will act as securities depository for the 2020 Bonds. The 2020 Bonds 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. Interest on and principal of the 2020 Bonds will be payable when due by wire transfer of the Fiscal Agent to DTC which will in turn remit such interest and principal to participants in DTC’s book-entry only system, which will in turn remit such interest and principal to Beneficial Owners (as described herein) of the 2020 Bonds (see “APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM” herein). As long as DTC is the registered owner of the 2020 Bonds and DTC’s book-entry method is used for the 2020 Bonds, the Fiscal Agent will send any notices to Bond Owners only to DTC. See “APPENDIX F - DTC AND THE BOOK ENTRY SYSTEM.”

Redemption of 2020 Bonds

Optional Redemption. The 2020 Bonds maturing on or after September 1, 2030 are subject to optional call and redemption prior to maturity, as a whole or in part among such maturities as are selected by the Authority and by lot within a maturity, on any date on or after September 1, 2029, from funds derived by the Authority from any source, at a redemption price equal to the principal amount of the 2020 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Payment Redemption. The 2020 Bonds maturing on September 1, ____ are Term Bonds subject to mandatory sinking payment redemption, in part, on September 1, ____ and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

TERM BONDS MATURING SEPTEMBER 1, 20__

Redemption Date
(September 1)

Sinking Payment

(maturity)

The 2020 Bonds maturing on September 1, ____ are Term Bonds subject to mandatory sinking payment redemption, in part, on September 1, ____ and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

TERM BONDS MATURING SEPTEMBER 1, 20__

Redemption Date
(September 1)

Sinking Payment

(maturity)

The amounts in the foregoing tables will be reduced pro rata as a result of any prior partial redemption of the 2020 Bonds pursuant to the optional redemption provisions described above, as specified in writing by the Treasurer-Controller of the Authority to the Fiscal Agent.

Purchase of 2020 Bonds. In lieu of any redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of a written direction of the Treasurer-Controller of the Authority requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such written direction may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Selection of 2020 Bonds for Redemption

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2020 Bonds of a single maturity of the same issue, the Fiscal Agent shall select the 2020 Bonds of that maturity to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. For purposes of such selection, the Fiscal Agent shall treat each 2020 Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate 2020 Bond.

Notice of Redemption

Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Original Purchaser, to the Securities Depositories, and to the respective registered Owners of any 2020 Bonds designated for redemption, at their addresses appearing on the Bond Register, and file electronically with the Information Service; but such mailing and filing shall not be a condition precedent to such redemption and failure to mail or file, as applicable, or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such 2020 Bonds.

Such notice shall (i) state the redemption date and the redemption price and, if less than all of the then Outstanding 2020 Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the 2020 Bonds to be redeemed by giving the individual CUSIP number and Bond number of each 2020 Bond to be redeemed or shall state that all 2020 Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the 2020 Bonds of one or more maturities have been called for redemption; (ii) state as to any 2020 Bond called in part the principal amount thereof to be redeemed; (iii) require that the 2020 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price or such other place of payment as may be designated in said notice; (iv) state that further interest on the 2020 Bonds will not accrue from and after the redemption date; and (v) for optional redemption state whether the Notice is conditioned on the availability of funds.

Upon the payment of the redemption price of 2020 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2020 Bonds being redeemed with the proceeds of such check or other transfer.

Conditional Redemption Notice and Rescission of Redemption. Any notice of optional redemption may specify that redemption of the 2020 Bonds designated for redemption on the specified date will be subject to the receipt by the Authority or the Fiscal Agent, as applicable, of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the Authority nor the Fiscal Agent will have any liability to the Owners of any 2020 Bonds, or any other party, as a result of the Authority's failure to redeem the 2020 Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the Authority may rescind any optional redemption of the 2020 Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the 2020 Bonds so called for redemption.

Notice of cancellation of redemption or rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any 2020 Bond of notice of such cancellation of redemption or rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the cancellation or rescission. Neither the Authority nor the Fiscal Agent will have any liability to the Owners of any 2020 Bonds, or any other party, as a result of the Authority's decision to rescind a redemption of any 2020 Bonds pursuant to the Fiscal Agent Agreement.

However, so long as the 2020 Bonds are registered in the name of Cede & Co., as nominee of DTC, all notices relating to redemption and rescission of redemption will be delivered to DTC. See "THE 2020 BONDS - Description of the 2020 Bonds - Book-Entry System."

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest on, the 2020 Bonds so called for redemption have been deposited in the Bond Fund, such 2020 Bonds so called shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of 2020 Bonds

So long as the 2020 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2020 Bonds shall be made in accordance with DTC procedures. See "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM."

DTC may discontinue providing its services as securities depository with respect to the 2020 Bonds at any

time by giving reasonable notice to the Authority, or the Fiscal Agent or the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, the 2020 Bonds are required to be printed and delivered as described in the Fiscal Agent Agreement, will be subject to certain restrictions on transfer or exchange and will be paid as provided in the Fiscal Agent Agreement.

Scheduled Debt Service

The table below sets forth the scheduled annual debt service payments on the 2020 Bonds, assuming no optional redemption of the Bonds, but including mandatory sinking payment redemptions.

<u>Year Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
Total			

Aggregate annual Debt Service on the 2017 Bonds and on the 2020 Bonds is set forth in the following table.

Bond Year Ending (September 1)	Aggregate Debt Service		Total Debt Service
	2017 Bonds Debt Service	2020 Bonds Debt Service	
2020	\$ 1,217,331.26		
2021	1,219,831.26		
2022	1,216,081.26		
2023	1,216,331.26		
2024	1,215,331.26		
2025	1,218,081.26		
2026	1,219,331.26		
2027	1,219,081.26		
2028	1,217,331.26		
2029	1,215,731.26		
2030	1,218,131.26		
2031	1,219,331.26		
2032	1,216,831.26		
2033	1,218,731.26		
2034	1,214,881.26		
2035	1,219,412.50		
2036	1,218,006.26		
2037	1,214,731.26		
2038	1,219,525.00		
2039	1,218,137.50		
2040	1,215,737.50		
2041	1,217,325.00		
2042	1,216,450.00		
2043	1,219,350.00		
2044	1,215,850.00		
2045	1,216,125.00		
2046	-		
Total	\$31,653,018.92		

SECURITY FOR THE BONDS

Pledge of Net Special Taxes; Limited Obligations

The Bonds are special, limited obligations of the Authority for the District secured by a pledge of all of the Net Special Taxes and all moneys on deposit in the Special Tax Fund and the Bond Fund (including the investment earnings thereon). The 2017 Bonds are also secured by the 2017 Reserve Policy, as defined herein and the 2020 Bonds are also secured by the 2020 Reserve Policy, as defined herein.

The term “Net Special Taxes” as used in the Fiscal Agent Agreement, effectively means the proceeds of the Special Taxes received by the Authority, including any scheduled payments and prepayments thereof, after the Administrative Expense Requirement is funded to the Administrative Expense Fund in each year. “Net Special Taxes” does not include any penalties or costs of collecting delinquent Special Taxes collected in connection with delinquent Special Taxes. In the event that the Special Taxes are no longer included in the County’s Teeter Plan, Net Special Taxes would also include collections of any delinquent Special Taxes and proceeds of the redemption or sale of property sold as a result of the foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon.

In the event that the Net Special Taxes are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts if any, in the Special Tax Fund held by the Authority, amounts, if any, held by the Fiscal Agent in the Bond Fund under the Fiscal Agent Agreement, and with respect to the 2017 Bonds, amounts available under the 2017 Reserve Policy held in the 2017 Account of the Reserve Fund (the “2017 Reserve Account”) and with respect to the 2020 Bonds, amounts available under the 2020 Reserve Policy held in the 2020 Account of the Reserve Fund (the “2020 Reserve Account”).

Neither the faith and credit of the Authority nor the faith and credit or the taxing power of the cities of Capitola, Santa Cruz or Scotts Valley, the County of Santa Cruz, the State of California or any political subdivision thereof is pledged to the payment of the Bonds. Except for the Net Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general obligations of the Authority nor general obligations of the District but are special obligations of the Authority for the District payable solely from Net Special Taxes and other amounts pledged therefor under the Fiscal Agent Agreement as more fully described herein.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the Board established the District on February 11, 2016 to finance the construction and renovation of public library facilities located within the District. On June 7, 2016, at an election held pursuant to the Act, the registered voters of the District authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed \$67,000,000 to be secured by the levy of Special Taxes on Developed Property within the District pursuant to the Rate and Method. Notices of Special Tax Lien were recorded in the Office of the Recorder of the County of Santa Cruz on August 18, 2016. See “APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1” for the complete text of the Rate and Method.

The Bonds will be secured by a first pledge of all of the Net Special Taxes and all moneys deposited in the Bond Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Net Special Taxes and all moneys deposited into said funds (except as otherwise provided therein) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement.

In addition, the 2017 Bonds are secured by the 2017 Reserve Policy on deposit in the 2017 Reserve Account and the 2020 Bonds will be secured by the 2020 Reserve Policy on deposit in the 2020 Reserve Account.

Amounts in the Administrative Expense Fund and the accounts within the Improvement Fund are not pledged to the repayment of the Bonds. The facilities acquired with the proceeds of the Bonds are not in any way pledged to pay the debt service on the Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the Bonds are not pledged to pay the debt service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

In the Fiscal Agent Agreement, the Authority has agreed to effect the levy of the Special Taxes each fiscal year in accordance with the Ordinance by August 10 of each year that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the County Auditor-Controller-Treasurer-Tax Collector (the "County Auditor-Controller") will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the real property tax roll for the fiscal year then beginning. Upon the completion of the computation of the amounts of the levy of the Special Taxes, the Authority shall prepare or cause to be prepared, and shall transmit to the County Auditor-Controller, such data as the County Auditor-Controller requires to include the levy of the Special Taxes on the real property tax roll.

The Fiscal Agent Agreement provides that Authority shall fix and levy the amount of Special Taxes within the District required (a) for the payment of the principal of and interest on any outstanding Bonds becoming due and payable during the ensuing calendar year, (b) any necessary replenishment of outstanding draws on any Qualified Reserve Fund Credit Instrument on deposit in an account within the Reserve Fund (such as the 2017 Reserve Policy or the 2020 Reserve Policy), or, in connection with any series of future Parity Bonds, an amount necessary to cause the amount on deposit in an account within the Reserve Fund established for such future Parity Bonds to the reserve requirement established for such future Parity Bonds, and (c) the amount estimated to be sufficient to pay the Administrative Expenses during such calendar year. Special Taxes may also be levied to pay directly for acquisition and construction of the Project. The Special Taxes so levied shall not exceed the authorized amounts for the District as provided in the proceedings for the formation of the District and in the Rate and Method. Such maximum amount may not be sufficient to fully replenish any draw on the 2017 Reserve Policy, any draw on the 2020 Reserve Policy or any draw on a reserve fund established in connection with any future Parity Bonds (an otherwise to pay any Policy Costs related to any such reserve policy) in the event that the Special Taxes are no longer included in the County's Teeter Plan and there are delinquencies in the payment of Special Taxes levied on properties in the District. In addition, under the Act, no increase to the Special Taxes on any one parcel may exceed 10% to cover delinquencies caused by other parcels. See "APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1."

Priority Minimum Administrative Expenses. "Administrative Expense Requirement" means, for Fiscal Year 2017-18, the first \$100,000 of Special Taxes collected for a Fiscal Year, escalating by 3% each Fiscal Year over the amount for the prior Fiscal Year, commencing with Fiscal Year 2018-19. Such amounts will be deposited in the Administrative Expense Fund.

Prepayment of Special Taxes. Under the Rate and Method, the Special Tax obligation for any parcel within the District may be prepaid in part, or in full and permanently satisfied, at any time. See "APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1." Any voluntary prepayment of Special Taxes will not result in a redemption of 2017 Bonds or 2020 Bonds, but prepayment amounts (as that term is described in the Rate and Method) in excess of \$40,000 for a single parcel may be used to redeem future Parity Bonds in accordance with the terms of any future Parity Bonds.

Collection and Application of Special Taxes. The Fiscal Agent Agreement provides that the Special Taxes shall be payable and be collected (except in the event of judicial foreclosure proceedings pursuant to the

Fiscal Agent Agreement) in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. Notwithstanding the foregoing, an Authorized Officer may in his discretion cause the collection of any Special Taxes by direct, first class mail billing to the then owner of each parcel so owned in lieu of billing for such Special Taxes in the same manner as general taxes. The Special Taxes will be deposited in the Special Tax Fund established under the Fiscal Agent Agreement when received by the Authority. See "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT."

Under the Fiscal Agent Agreement, the Authority covenants not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative or referendum measure is proposed that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the Authority covenants it shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds. See "SPECIAL RISK FACTORS - Voter Initiatives" herein.

Although the Special Tax will constitute a lien on the land within the District which is subject to taxation, it does not constitute a personal indebtedness of either of the current or any future property owners within the District. There is no assurance that the owners of Developed Property within the District will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of property owners within the District not paying the annual Special Tax is more fully described under the heading "SPECIAL RISK FACTORS - Levy and Collection of the Special Taxes - Factors that Could Lead to Special Tax Deficiencies" and "THE DISTRICT - Teeter Plan."

Special Tax Fund. The Authority will cause all Special Taxes received by it to be deposited in the Special Tax Fund established and held by the Authority. Moneys in the Special Tax Fund will be held in trust by the Authority for the benefit of the Authority and the Owners, will be disbursed as provided below and, pending disbursement, will be subject to a lien in favor of the Owners and the Authority.

From time to time as needed to pay the obligations of the Authority, but no later than three Business Day before each Interest Payment Date, the Authority will withdraw from the Special Tax Fund and transfer to the Fiscal Agent the following amounts for deposit by the Fiscal Agent in the funds listed below in the following order of priority:

- (i) to the Administrative Expense Fund an amount, up to the Administrative Expense Requirement, that an Authorized Officer directs the Fiscal Agent in writing to deposit in the Administrative Expense Fund for payment of Administrative Expenses;
- (ii) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund, including any expected transfers from the Improvement Fund and the Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds for the then-current Bond Year;
- (iii) to each account within the Reserve Fund, pro rata, an amount, if any, required to replenish outstanding draws on any Qualified Reserve Fund Credit Instrument on deposit therein, or, in connection with any series of future Parity Bonds, an amount necessary to cause the amount on deposit in the account within the Reserve Fund established for such Parity Bonds to the reserve requirement established for such Parity Bonds;
- (iv) to the Administrative Expense Fund the amount of Administrative Expenses in excess of the amount previously transferred thereto pursuant to (i) above, as directed in writing by an Authorized Officer; and

(v) to the members of the Authority in accordance with the JPA Agreement (as defined herein).

The amounts transferred from time to time to the Fiscal Agent for deposit in the Administrative Expense Fund shall not exceed, in any Fiscal Year, the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses.

All amounts remaining in the Special Tax Fund on the 30th day of the succeeding Bond Year shall be retained in the Special Tax Fund and applied to the succeeding Bond Year's Annual Debt Service or be distributed to the members of the Authority pursuant to the JPA Agreement; provided however, that in no event shall such amounts be invested at a yield in excess of the yield on the Bonds. See "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT."

Special Tax Prepayments with respect to a single parcel of less than a \$40,000 prepayment amount (as that term is described in the Rate and Method) will be deposited in the Special Tax Fund. Special Tax with respect to a single parcel of greater than a \$40,000 prepayment amount will be deposited in the Special Tax Prepayments Account of the Bond Fund, and unless required under a supplemental agreement entered into with respect to future Parity Bonds to be used for redemption of future Parity Bonds, will be used to pay debt service on the Bonds, as determined by the Authority.

Parity Bonds

The Fiscal Agent Agreement permits the District to issue "Parity Bonds," which are defined as bonds issued by the Authority for the District pursuant to the provisions of the Fiscal Agent Agreement payable from Net Special Taxes and moneys in the Special Tax Fund and the Bond Fund on a parity with the 2017 Bonds, subject to the conditions set forth in the Fiscal Agent Agreement. These provisions include that the Authority must be in compliance with all covenants set forth in the Fiscal Agent Agreement, that interest on Parity Bonds must be payable on March 1 and September 1 and principal must be payable on September 1 in any year in which principal is payable, and that the Authority must certify that the Maximum Special Taxes to be levied in every year less the Administrative Expense Requirement for such year through the maturity of the 2017 Bonds and Parity Bonds are at least equal to 110% of the debt service payable on the Outstanding amount of the 2017 Bonds and the Parity Bonds to be issued in every such year. The Authority will also establish a separate account within the Reserve Fund with respect to a series of Parity Bonds which may be funded in cash or in the form of a Qualified Reserve Fund Credit Instrument, provided that such account within the Reserve Fund will only secure the repayment of such Parity Bonds and shall not secure the Bonds or any other issue of parity obligations. Unless the account within the Reserve Fund established for such series of the Parity Bonds is funded with cash, the final maturity of any series of Parity Bonds may not be later than September 1, 2046.

The 2020 Bonds are Parity Bonds, and future Parity Bonds may be issued in a principal amount not to exceed \$28,955,000*.

* Preliminary, subject to change.

2020 Reserve Account

An account within the Reserve Fund has been established under the Fiscal Agent Agreement to be held by the Fiscal Agent to secure the timely payment of principal of and interest on each series of the Bonds. In connection with the issuance of the 2017 Bonds, the District deposited a Qualified Reserve Fund Credit Instrument (the “2017 Reserve Policy”) in the 2017 Reserve Account to satisfy the Reserve Requirement with respect to the 2017 Bonds. The District must maintain a balance in the 2020 Reserve Account equal to the 2020 Reserve Requirement. The 2020 Reserve Requirement for the 2020 Bonds is, as of any date of calculation, the lesser of 50% of (i) 10% of the initial principal amount of the 2020 Bonds; (ii) Maximum Annual Debt Service on the 2020 Bonds; or (iii) 125% of average Annual Debt Service on the 2020 Bonds.

All amounts on deposit in the 2020 Reserve Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in such fund of the amount then required for payment of the principal of and interest and any premium on the 2020 Bonds.

The 2020 Reserve Account secures only the 2020 Bonds, and does not secure the 2017 Bonds or any other series of future Parity Bonds that may be issued under the Fiscal Agent Agreement. Similarly, the 2017 Reserve Account established for the 2017 Bonds secures only the 2017 Bonds, and does not secure the 2020 Bonds or any other series of future Parity Bonds that may be issued under the Fiscal Agent Agreement (see “THE 2020 BONDS - Parity Bonds” herein).

The Fiscal Agent Agreement provides that the Authority will satisfy the 2020 Reserve Requirement by means of the 2020 Reserve Policy (the “2020 Reserve Policy”) (see “APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT” herein). Concurrently with the issuance of the 2020 Bonds, the Bond Insurer (see “MUNICIPAL BOND INSURANCE” below) will issue the 2020 Reserve Policy in the face amount of \$_____, equal to the 2020 Reserve Requirement. For a further description of the provisions of the Fiscal Agent Agreement applicable to the 2020 Reserve Account, see “APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT - Reserve Fund.”

The District is not required under the Fiscal Agent Agreement to replace the 2020 Reserve Policy with cash or a replacement instrument in the event the ratings of the Bond Insurer decline or are withdrawn or the Bond Insurer fails to honor a draw on the 2020 Reserve Policy. If circumstances should ever cause the 2020 Reserve Policy to be canceled or discharged, such cancellation or discharge could be determined to create a deficiency in the 2020 Reserve Requirement previously satisfied by the 2020 Reserve Policy. Under the Fiscal Agent Agreement, in the event that the amount on deposit in the 2020 Reserve Account is less than the 2020 Reserve Requirement, the District is required to transfer to the Fiscal Agent an amount of available Net Special Taxes sufficient to maintain the amount in the 2020 Reserve Account at such 2020 Reserve Requirement. Should the amount of Net Special Taxes then available to maintain the 2020 Reserve Account at the 2020 Reserve Requirement be insufficient for such purpose, such insufficiency would not result in an event of default under the Fiscal Agent Agreement, but the requirement of the District to transfer available Net Special Taxes to the Fiscal Agent would continue.

Investment of Funds

The Fiscal Agent Agreement provides that moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer’s Certificate filed with the Fiscal Agent at least two business days in advance of the making of such investments. In the absence of any such Officer’s Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments as described in the Fiscal Agent Agreement, or otherwise hold such amounts uninvested. See “APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT” for a description of the Permitted Investments.

Teeter Plan; Foreclosure Proceedings

The County has adopted a Teeter Plan as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County included the Special Taxes of the District in its Teeter program in 2019-20 and expects the Special Taxes of the District will be included in its Teeter program in future years. However, the County may at any time to discontinue the Teeter Plan as it relates to the Special Taxes, in which case collections of the Special Taxes will reflect actual delinquencies.

The Authority is not obligated to enforce the lien of any delinquent installment of the Special Taxes for any Fiscal Year in which the Authority has received such installment from the County pursuant to the Teeter Plan. Further, in the event that the Teeter Plan is discontinued, the Authority will annually, on or before October 1 of each year, review the public records of the Authority relating to the collection of the Special Taxes in order to determine the amount of the Special Taxes collected in the prior Fiscal Year, and on the basis of such review, if the Authority determines that the total amount so collected is less than 95% of the total amount of the Special Taxes levied in such Fiscal Year, the Authority will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Taxes totaling more than \$10,000 for such parcel, to enforce the lien of all the delinquent installments of such Special Taxes, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale. Any actions to enforce delinquent Special Tax liens shall only be taken consistent with Sections 53356.1 through 53356.7, both inclusive, of the Act.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM (sometimes referred to as the “Bond Insurer”) will issue its Municipal Bond Insurance Policy for the Bonds (the “2020 Insurance Policy”). The 2020 Insurance Policy guarantees the scheduled payment of principal of and interest on the 2020 Bonds when due as set forth in the form of the 2020 Insurance Policy included as Appendix G to this Official Statement.

The 2020 Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated

independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$552.8 million, \$130.8 million and \$422.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements

of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

THE DISTRICT

General

The District encompasses the cities of Capitola, Santa Cruz and Scotts Valley and surrounding unincorporated areas of the County. This represents all of the land within the County, with the exception of the approximate 6.2 square miles located in City of Watsonville in the southwestern area of the County.

Special Taxes securing the payment of the Bonds will be levied only on property in the District, and only on the Developed Property, or in limited cases, Taxable Public Property (as described below) in the District.

Authorization

Pursuant to the Act, on December 17, 2015, the Board adopted Resolution No. 2015-02, stating its intention to establish the District. On February 11, 2016, following a duly noticed public hearing, the Board adopted Resolution No. 2016-001 establishing the District and Resolution No. 2016-002 determining the necessity to incur bonded indebtedness in an amount not to exceed \$67,000,000 for the District. Pursuant to Resolution No. 2016-003, the Board called an election of the registered voters within the District pursuant to the Act. On June 7, 2016, more than two-thirds of the voters in the District voting on the matter approved the formation of the District, impositions of the Special Tax and issuance up to \$67,000,000 of bonds.

Rate and Method of Apportionment

The Authority is legally authorized and has covenanted in the Fiscal Agent Agreement to levy the Special Taxes in accordance with the Rate and Method. Pursuant to the Rate and Method, Special Taxes are levied only on “Developed Property” up to the applicable Maximum Special Tax (as defined in the Rate and Method), and in some cases, could be levied on “Taxable Public Property.” Pursuant to the Rate and Method, the amount of the Special Tax to be levied in each fiscal year can be levied for a period not to exceed 30 years commencing with Fiscal Year 2016-17. See “APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1.”

Description of Authorized Facilities

The facilities that can be funded by the District (the “Project”) include library facilities located throughout the County, including but not limited to facilities in Aptos, Boulder Creek, Branciforte, Capitola, downtown Santa Cruz, Felton, Garfield Park, La Selva Beach, Live Oak and Scotts Valley, but excluding library facilities in the City of Watsonville. The Project includes any of the following: new construction, building renovations and service model upgrades needed to provide service desks, an area for displaying materials, separate areas for teens and children, flexible spaces and/or meeting rooms and study rooms, places to display art, new flooring, paint, shelving, furniture and technology, power/data to support library technology, and other upgrades.

The Project also includes, without limitation, the attributable costs of engineering, design, planning, materials testing, coordination, construction staking, and construction, together with the expenses related to issuance and sale of any “debt,” as defined in Section 53317(d) of the Act, including underwriters’ discount, appraisals, market studies, reserve fund, capitalized interest, bond counsel, special tax consultant, financial advisor, bond and official statement printing, administrative expenses of the Authority, the District and bond trustee or fiscal agent related to the District, and any such debt and all other incidental expenses. The facilities comprising the Project are to be constructed or modified, upgraded or otherwise renovated, whether or not acquired in their completed states, pursuant to plans and specifications approved by the Members.

Pursuant to the JPA Agreement, Members are currently allocated a maximum amount of \$77,500,000 of District funds for the Project within their respective jurisdictions as follows:

City of Capitola	\$10,000,000
City of Santa Cruz	31,250,000
City of Scotts Valley	3,750,000
County of Santa Cruz	<u>32,500,000</u>
	\$77,500,000

The maximum amount of District funds for the Project for each Member may be funded with a combination of Special Taxes and Bond proceeds. As shown in the “SOURCES AND USES OF 2020 BOND PROCEEDS,” Proceeds of the 2020 Bonds are expected to fund \$19,081,000* for the Project. The Members were allocated \$21,626,447 from proceeds of the 2017 Bonds. A future series of Parity Bonds is expected to be issued within 5 years to fund the balance remaining at that time of the maximum amount currently authorized for the Project, net of any available Net Special Taxes from the Special Tax levy in preceding fiscal years. The Members may amend the JPA Agreement to provide for the expenditure of District funds in excess of \$77,500,000.

Development Summary and Special Taxes

In accordance with the Rate and Method, Special Taxes are only levied on Developed Property (or Taxable Public Property, if any).

“Developed Property” is defined in the Rate and Method as a parcel of taxable property for which the County has assigned a Use Code indicating residential, commercial, agricultural, or recreational use which is not vacant. Agricultural property used for farming is considered Developed Property even if there is no structure on the property.

No Special Tax shall be levied on “Public Property” and “Undeveloped Property” as those terms are defined in the Rate and Method. However, should a parcel no longer be classified as Public Property or Undeveloped Property its tax-exempt status will be revoked. In the case of Public Property and pursuant to Section 53317.3 of the Act, if property not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax shall, notwithstanding Section 53340 of the Act, continue to be levied on the property acquired and shall be enforceable against the public entity that acquired the property (the “Taxable Public Property”).

* Preliminary, subject to change.

The annual Maximum Special Tax rates for Developed Property are shown in the table below.

**Maximum Special Tax for
Developed Property in CFD No. 2016-1**

<u>Property Type</u>	<u>Per</u>	<u>Maximum Special Tax</u>
Single Family Residential	Unit	\$49.50
Multi Family Residential	Unit	49.50
Agricultural	Parcel	86.00
Commercial	Parcel	86.00
Recreational	Parcel	86.00

In some instances a parcel of Developed Property may contain more than one property type. The Maximum Special Tax levied on a parcel in such case shall be the sum of the Maximum Special Tax for all property types located on that parcel.

Table No. 1 summarizes the Developed Property within the District by property type under the Rate and Method along with the Fiscal Year 2019-20 Special Tax levy. Table No. 2 summarizes the Developed Property within the District by property type under the Rate and Method, together with the 2019-20 Maximum Special Tax based on 2019-20 Developed Property, and an allocation of the outstanding Bond debt based on the 2019-20 Special Tax levy and the County Fiscal Year 2019-20 assessed value of the Developed Property.

The following tables exclude vacant land and any parcels within the District that do not contain a County Use Code relating to Developed Property as listed in the Rate and Method. These parcels are not subject to Special Taxes unless and until classified as Developed Property. The Authority makes no representation as to if, or when, any such properties will be developed and subject to the Special Tax.

Low Value Parcels. Notwithstanding the Rate and Method, it is the County’s policy not to generate tax bills when a parcel has an assessed value of less than \$2,000 (“Low Value Parcels”). In the first year of the Special Tax Levy, 2016-17, approximately \$10,000 in Special Taxes were levied and tax bills sent for parcels with assessed values of less than \$2,000. Low Value Parcels are not included in the 2019-20 tax roll, debt and Special Taxes shown in the tables in this Official Statement, unless noted.

The Authority does not anticipate levying Special Taxes on Low Value Parcels in future years.

**TABLE NO. 1
DEVELOPMENT SUMMARY**

Property Type	2019-20 Number of Parcels ⁽¹⁾	2019-20 Number of Units/Parcels ⁽²⁾	2019-20 Special Tax ⁽¹⁾	% of 2019-20 Special Tax
Single Family Residential	53,166	55,168	\$2,730,816	61.72%
Multifamily Residential	12,498	27,661	1,369,220	30.94%
Agricultural	342	342	29,412	0.67%
Agricultural with Residential	226	226	30,623	0.69%
Commercial	2,480	2,480	213,280	4.82%
Commercial with Residential	305	305	41,327	0.93%
Recreational	115	115	9,890	0.22%
Recreational with Residential	<u>2</u>	<u>2</u>	<u>271</u>	<u>0.01%</u>
	69,134	86,299	\$4,424,839	100.00%

⁽¹⁾ Excludes Low Value Parcels.

⁽²⁾ Some parcels contain more than one unit and are subject to the combined tax rate for all units.

Source: NBS Government Finance Group.

**TABLE NO. 2
SHARE OF DISTRICT BONDS**

<u>Property Type</u> ^{(1) (2)}	<u>2019-20 Number of Parcels</u>	<u>2019-20 Maximum Special Tax</u>	<u>Share of Bonds</u> * ⁽³⁾	<u>2019-20 Assessed Value</u> ⁽⁴⁾
Single Family Residential	53,166	\$2,730,816	\$23,967,254	\$31,063,761,269
Multifamily Residential	12,498	1,369,220	12,017,079	6,850,841,162
Agricultural	342	29,412	258,137	192,225,737
Agricultural with Residential	226	30,623	268,766	213,422,817
Commercial	2,480	213,280	1,871,871	3,500,329,644
Commercial with Residential	305	41,327	362,715	236,950,815
Recreational	115	9,890	86,800	138,959,846
Recreational with Residential	<u>2</u>	<u>271</u>	<u>2,378</u>	<u>3,511,074</u>
	69,134	\$4,424,839	\$38,835,000	\$42,200,002,364

- (1) As classified by the special tax administrator based on County Assessor's use code and other data for the 2019-20 special tax levy.
- (2) Excludes Low Value Parcels.
- (3) Allocated share of the outstanding 2017 Bonds and the 2020 Bonds (assumed principal amount of the 2020 Bonds is \$18,345,000* for this table) based on proportionate share of 2019-20 Maximum Special Tax levy.
- (4) Based on the Santa Cruz County Assessor Roll for Fiscal Year 2019-20, with a January 1, 2019 valuation date. Assessed value does not reflect any changes made to valuation after July 2019 as a result of assessment appeal, correction, change of ownership or any other changes.

Source: NBS Government Finance Group and Harrell & Company Advisors, LLC.

* Preliminary, subject to change.

The table shown below sets forth the ratio of the Maximum Special Taxes for all categories of Developed Property that can be levied under the Rate and Method to the total debt service on the outstanding 2017 Bonds and the 2020 Bonds, based on existing Developed Property. The District is permitted under certain conditions, and expects to, issue additional Parity Bonds (see “SECURITY FOR THE BONDS - Parity Bonds.”)

**TABLE NO. 3
COVERAGE FROM DEVELOPED PROPERTY MAXIMUM SPECIAL TAX**

2019-20 Maximum Special Tax ⁽¹⁾	\$4,424,839
Administrative Expense Requirement ⁽²⁾	<u>(228,794)</u>
Net Special Taxes	4,196,045
Maximum Annual Debt Service:	
2017 Bonds	\$1,219,831
2020 Bonds	<u>1,000,000</u>
Maximum Annual Debt Service ⁽³⁾	\$2,219,831*
Coverage	189.0%

⁽¹⁾ Excludes Low Value Parcels.

⁽²⁾ Based on \$100,000 in Fiscal Year 2017-18 increased at 3% annually through tax year 2045-46.

⁽³⁾ The District expects to issue additional Parity Bonds, which will increase debt service and decrease coverage from the Net Special Taxes. See “SECURITY FOR THE BONDS - Parity Bonds.”

Source: Harrell & Company Advisors, LLC.

* Preliminary, subject to change.

Teeter Plan

The County has and expects to continue to include the Special Taxes which secure the Bonds in the “Teeter Plan,” which is the County’s Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code (see “SECURITY FOR THE BONDS - Teeter Plan; Foreclosure Proceedings”). However, the County may at any time decide to discontinue the Teeter Plan as it relates to the Special Taxes, in which case collections of the Special Taxes paid to the Authority will reflect actual delinquencies. See “SPECIAL RISK FACTORS - No Covenant to Foreclose” for a further discussion with respect to delinquent Special Tax payments.

A 10-year history of the County-wide delinquency rate in the payment of ordinary *ad valorem* secured property taxes is as follows:

<u>Fiscal Year</u>	<u>% Delinquent</u>	<u>Fiscal Year</u>	<u>% Delinquent</u>
2009-10	3.0%	2014-15	1.2%
2010-11	2.4	2015-16	1.1
2011-12	1.9	2016-17	1.3
2012-13	1.5	2017-18	1.1
2013-14	1.2	2018-19	1.2

Source: County of Santa Cruz.

Estimated Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc., as of November 1, 2019 for property in the District. The Debt Report is included for general information purposes only and the Authority makes no representation as to its accuracy or completeness.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations are not payable from Special Taxes nor are they necessarily obligations secured by a lien on the property within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Presently, the Developed Property is subject to \$551,552,862* of direct and overlapping tax and assessment debt and overlapping lease obligation debt, including the Bonds being issued in an assumed amount of \$18,345,000*. To repay the direct and overlapping tax and assessment debt and overlapping lease obligation debt, the owners of the land within the District must pay the Special Taxes, any fixed assessments as applicable, and the general ad valorem property tax levy.

In addition, other public agencies whose boundaries overlap those of the District could, without the consent of the Authority, and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the real property within the District in order to finance public improvements or services to be located or furnished inside of or outside of the District. The lien created on the real property within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Taxes. The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of the property owners to pay the Special Taxes and increases the possibility that foreclosure proceeds, if any, realized from the sale of property with delinquent Special Taxes will not be adequate to pay delinquent Special Taxes.

* Preliminary, subject to change.

**TABLE NO. 4
DIRECT AND OVERLAPPING DEBT SUMMARY**

2019-20 Assessed Valuation: \$42,200,002,364 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 11/1/19</u>
Cabrillo Community College District General Obligation Bonds	83.027%	\$ 95,157,389
West Valley-Mission Community College District General Obligation Bonds	0.914	5,608,887
Aromas-San Juan Joint Unified School District General Obligation Bonds	0.760	97,652
Pajaro Valley Joint Unified School District General Obligation Bonds	64.782	109,063,198
San Lorenzo Unified School District General Obligation Bonds	95.428	20,630,585
Scotts Valley Unified School District General Obligation Bonds	94.004	37,220,715
Los Gatos-Saratoga Union High School District General Obligation Bonds	5.018	4,607,639
Santa Cruz High School District General Obligation Bonds	94.918	108,636,980
Lakeside Joint School District General Obligation Bonds	66.494	126,069
Live Oak School District General Obligation Bonds	95.132	9,687,743
Loma Prieta Joint Union School District General Obligation Bonds	75.929	4,487,595
Mountain School District General Obligation Bonds	95.147	2,109,274
Pacific School District General Obligation Bonds	82.994	670,752
Santa Cruz School District General Obligation Bonds	94.844	53,084,171
Soquel Union School District General Obligation Bonds	95.382	44,162,220
City of Santa Cruz General Obligation Bonds	94.551	4,310,161
Santa Cruz Libraries Facilities Community Facilities District No. 2016-1	100.000	20,490,000 ⁽¹⁾
City of Scotts Valley Community Facilities District No. 97-1	85.405	2,393,462
Santa Cruz County Community Facilities District No. 1	97.974	7,273,989
San Lorenzo Unified School District Recreation Improvement and Maintenance Assessment District	99.324	183,256
Santa Cruz County Assessment Districts	various	2,061,152
Pajaro Dunes Geo Hazard Abatement Assessment District	98.281	<u>1,144,973</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$533,207,862
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Santa Cruz County General Fund Obligations	86.491%	\$ 54,887,548
Santa Cruz County Office of Education Certificates of Participation	86.491	7,365,597
West Valley-Mission Community College District Certificates of Participation	0.914	493,367
Pajaro Valley Joint Unified School District Certificates of Participation	64.782	9,934,323
Scotts Valley Unified School District Certificates of Participation	94.004	9,188,905
Los Gatos-Saratoga Union High School District Certificates of Participation	5.018	148,997
Santa Cruz High School District Certificates of Participation	94.918	3,240,657
Live Oak School District Certificates of Participation	95.132	11,614,649
Loma Prieta Joint Union School District Certificates of Participation	75.929	250,565
City of Capitola Certificates of Participation and Pension Obligations	95.097	2,458,605
City of Santa Cruz Certificates of Participation and Pension Obligations	94.551	19,657,379
City of Scotts Valley Certificates of Participation	92.507	<u>10,670,667</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$129,911,259
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$206,862,493
COMBINED TOTAL DEBT		\$869,981,614 ⁽²⁾

⁽¹⁾ Excludes issue to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$20,490,000)	0.05%
Total Direct and Overlapping Tax and Assessment Debt	1.27%
Combined Total Debt	2.07%

Source: California Municipal Statistics.

Estimated Tax Rate

Set forth in Table No. 5 is the estimated average effective tax rates for Fiscal Year 2019-20, for Single Family Residential Developed Property, in each city within the District and two communities in the unincorporated area of the County.

**TABLE NO. 5
ESTIMATED TOTAL EFFECTIVE TAX RATE IN FISCAL YEAR 2019-20**

	<u>City of Capitola</u>	<u>City of Santa Cruz</u>	<u>City of Scotts Valley</u>	<u>Soquel ⁽¹⁾</u>	<u>Felton ⁽¹⁾</u>
Average Assessed Value ⁽²⁾	\$611,500.00	\$576,500.00	\$659,000.00	\$521,700.00	\$370,700.00
Homeowner's Exemption ⁽³⁾	<u>(7,000.00)</u>	<u>(7,000.00)</u>	<u>(7,000.00)</u>	<u>(7,000.00)</u>	<u>(7,000.00)</u>
Estimated Net Assessed Value	\$604,500.00	\$569,500.00	\$652,000.00	\$514,700.00	\$363,700.00
Ad Valorem Tax Rate ⁽⁴⁾	<u>1.099541%</u>	<u>1.103406%</u>	<u>1.107609%</u>	<u>1.099541%</u>	<u>1.092551%</u>
Ad Valorem Tax	\$ 6,646.73	\$ 6,283.90	\$ 7,221.61	\$ 5,659.34	\$ 3,973.61
Fixed Assessments:					
District Special Tax	\$ 49.50	\$ 49.50	\$ 49.50	\$ 49.50	\$ 49.50
Other ⁽⁵⁾	<u>950.52</u>	<u>365.60</u>	<u>997.92</u>	<u>1,096.74</u>	<u>1,610.38</u>
Estimated Total Tax	\$ 7,646.75	\$ 6,699.00	\$ 8,269.03	\$ 6,805.58	\$ 5,633.49
Estimated Effective Tax Rate	1.26%	1.18%	1.27%	1.32%	1.55%

⁽¹⁾ Representative unincorporated areas of the County.

⁽²⁾ Average land and structure values for properties with one unit, based on Fiscal Year 2019-20 County secured tax roll assessed values, which may not represent the current market value of the respective property.

⁽³⁾ Exemption for property owned and occupied as the owner's principal place of residence.

⁽⁴⁾ Sample ad valorem tax rate for parcels in the District. Actual ad valorem rates may vary depending on location of the parcel in the District.

⁽⁵⁾ Estimated fixed assessments for parcels in the District, taken directly from Fiscal Year 2019-20 property tax bill, and may include assessment district assessments and other community facilities district special taxes. Actual amount may vary depending on location of the parcel in the District. See "Estimated Direct and Overlapping Indebtedness."

Source: Alliant Tax Research, Inc.

The Authority has no control over the amount of additional debt payable from special taxes or assessments levied on all or a portion of the Developed Property within the District that may be incurred in the future by other governmental agencies having jurisdiction over such Developed Property. Furthermore, nothing prevents owners of property within the District from consenting to the issuance of such debt by other governmental agencies. To the extent that such indebtedness is payable from assessments, special taxes levied pursuant to the Act, or other taxes, such assessments, special taxes, and other taxes may be secured by liens on the Developed Property within the District on a parity with the lien of the Special Taxes.

The incurrence of any such additional indebtedness could cause the total debt on the Developed Property within the District to increase without any corresponding increase in the value of such property, thereby reducing (perhaps dramatically) the estimated value-to-lien ratios that exist at the time the Bonds are issued. The incurrence of such additional indebtedness could reduce the willingness and ability of the property owners within the District to pay Special Taxes when due. See "SPECIAL RISK FACTORS - Other Possible Claims Upon the Property Values."

Property Assessed Values

The most recent assessed value reported by the County Assessor for the Developed Property in the District was as of January 1, 2019, for the Fiscal Year 2019-20 tax roll, and totals \$42.2 billion. The assessed values of Developed Property in the District discussed in this Official Statement are from that County Assessor's secured property tax roll and have not been adjusted for any changes as a result of assessment appeals, corrections, change of ownership or any other changes. These assessed values represent the "full cash value" of such property as determined by the County Assessor. Pursuant to rules of the State Board of Equalization that govern the County Assessor's valuation of property in the District, "full cash value" of real property means the price at which the unencumbered or unrestricted fee simple interest in the real property (subject to any enforceable governmental restrictions) would transfer for cash or its equivalent under prevailing market conditions. These rules also provide that when valuing property as a result of a change in ownership for consideration it shall be presumed that the consideration valued in money (i.e., the purchase price), whether paid in money or otherwise, is the full cash value of the property. Pursuant to the California Constitution, the full cash value of property may reflect from year to year the inflationary rate not to exceed 2% for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced to reflect substantial damage, destruction or other factors causing a decline in value.

No assurance can be given, therefore, that the assessed value of the Developed Property in the District will not be reduced by the County Assessor for Fiscal Year 2019-20 or for any subsequent fiscal year. See "SPECIAL RISK FACTORS - Property Values."

Assessed values, as determined by the County Assessor, may not reflect the actual market value of property in the District (e.g., homes in the District might sell for more or less than the County Assessor's assessed value). The Authority does not intend to have an appraisal prepared to estimate the market value of any of the Developed Property in the District.

Table No. 6 shows assessed valuations for all Developed Property in the District for Fiscal Years 2015-16 through 2019-20.

**TABLE NO. 6
HISTORICAL ASSESSED VALUATION**

	<u>Land Value</u>	<u>Structure Value</u>	<u>Total Value</u>
2015-16	\$18,271,299,291	\$15,489,181,145	\$33,760,480,436
2016-17	19,446,933,172	16,139,481,149	35,586,414,321
2017-18 ¹	20,843,254,432	16,803,894,954	37,647,149,386
2018-19	22,686,941,943	17,570,509,475	40,257,451,418
2019-20 ⁽¹⁾	24,049,463,777	18,150,538,587	42,200,002,364

⁽¹⁾ Excludes Low Value Parcels.

Source: County Assessor's roll data, compiled by NBS Government Finance Group.

Top Taxpayers

Table No. 7 shows the percent of the Fiscal Year 2019-20 Maximum Special Tax based on property ownership status as of January 1, 2019 as provided by the County.

**TABLE NO. 7
LARGEST TAXPAYERS**

<u>Property Owner</u>	<u>Property Type</u> ⁽¹⁾	<u>Parcels</u>	<u>Units</u> ⁽²⁾	<u>2019-20 Maximum Special Tax</u>	<u>% of 2019-20 Maximum Special Tax</u>
Paradise Park Masonic Club Inc.	SFR, REC	252	253	\$ 12,560	0.28%
Cypress Point RE Investors LLC	MFR	1	240	11,880	0.27%
Spring Lakes Park	MFR	1	223	11,039	0.25%
Santa Cruz Shaffer Road Investors	MFR	1	208	10,247	0.23%
Rodeo Mobile Estates LLC	MFR	4	207	10,247	0.23%
Carefree Communities Ca LLC	MFR	1	202	9,999	0.23%
Community Affordable Housing LP	MFR	1	200	9,900	0.22%
MHC De Anza Santa Cruz LP	MFR	2	199	9,851	0.22%
Shoreline Mobile Estates LLC	MFR	4	179	8,861	0.20%
Pinto Lake MHP LLC	MFR	<u>1</u>	<u>177</u>	<u>8,762</u>	<u>0.20%</u>
Total Top Ten Owners		268	2,088	\$103,346	2.33%
All Others ⁽³⁾		<u>68,866</u>	<u>84,211</u>	<u>4,321,493</u>	<u>97.67%</u>
Total ⁽³⁾		69,134	86,299	\$4,424,839	100.00%

⁽¹⁾ As classified by the special tax administrator based on County Assessor's use code and other data for the 2019-20 Special Tax levy.

⁽²⁾ Some parcels contain more than one unit and are subject to the combined tax rate for all units.

⁽³⁾ Excludes Low Value Parcels.

Source: County; compiled by NBS Government Finance Group.

Estimated Total Valuation of Developed Taxable Property Within the District

Table No. 8 shows the pro rata share of Bonds and other overlapping tax and assessment debt allocated by Fiscal Year 2019-20 Special Tax levy summarized based on value-to-lien ratios ranges.

TABLE NO. 8
VALUE TO LIEN RATIO OF DEVELOPED PROPERTY
ALL PROPERTY TYPES COMBINED *

<u>Assessed Value-to-Lien</u>	<u>2019-20 Parcels</u>	<u>2019-20 Units ⁽¹⁾</u>	<u>FY 2019-20 Special Tax</u>	<u>% of Special Tax</u>	<u>Assessed Value ⁽²⁾</u>	<u>Share of Bonds ⁽³⁾</u>	<u>Other Overlapping Bonded Debt ⁽⁴⁾</u>	<u>Total Direct and Overlapping Debt</u>	<u>Average Value to Lien</u>
Below 3:1	12	30	\$ 1,704	0.04%	\$ 25,381	\$ 14,955	\$ 5,627	\$ 20,582	1.2:1
3:1 to 4.99:1	10	78	4,057	0.09%	383,222	35,602	61,281	\$96,883	4.0:1
5:1 to 9.99:1	88	100	5,693	0.13%	5,524,347	49,965	663,720	\$713,685	7.8:1
10:1 to 19.99:1	311	1,162	58,823	1.33%	33,318,797	516,261	1,611,843	\$2,128,104	15.7:1
20:1 to 29.99:1	446	1,297	66,595	1.51%	81,790,305	584,473	2,667,493	\$3,251,966	25.6:1
Above 30:1	<u>68,267</u>	<u>83,632</u>	<u>4,287,969</u>	<u>96.91%</u>	<u>42,078,960,312</u>	<u>37,633,744</u>	<u>507,707,898</u>	<u>545,341,642</u>	86.3:1
Total ⁽⁵⁾	69,134	86,299	\$4,424,839	100.00%	\$42,200,002,364	\$38,835,000	\$512,717,862	\$551,552,862	85.5:1

⁽¹⁾ Some parcels contain more than one unit and are subject to the combined tax rate for all units.

⁽²⁾ Per County Assessor's roll data for Fiscal Year 2019-20, with a January 1, 2019 valuation date. Assessed value does not reflect any changes made to valuation after July 2019 as a result of assessment appeal, correction or any other changes.

⁽³⁾ Includes the outstanding 2017 Bonds and the 2020 Bonds. Allocated based on the proportionate share of the 2019-20 Maximum Special Tax, assuming \$18,345,000* of 2020 Bonds issued.

⁽⁴⁾ Per overlapping debt statement data provided by California Municipal Statistics Inc. dated as of November 1, 2019.

⁽⁵⁾ Excludes Low Value Parcels.

Source: NBS Government Finance Group and Harrell & Company Advisors, LLC.

* Preliminary, subject to change.

Notwithstanding the foregoing and following discussions and estimates of value, there is no assurance that, in the event of a foreclosure sale of a parcel for delinquent Special Taxes, any bid would be received for such property or that any bid received would be sufficient to pay the delinquent Special Taxes and any parity special taxes, taxes and assessments. See the section herein entitled “SPECIAL RISK FACTORS.” Moreover, foreclosure proceedings in respect of delinquent Special Taxes are not mandatory. See “SECURITY FOR THE BONDS - Teeter Plan; Foreclosure Proceedings.”

The Authority has no control over the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes and be secured by a lien on a parity with the lien securing payment of the Special Taxes. See “THE DISTRICT - Estimated Direct and Overlapping Debt” herein.

SPECIAL RISK FACTORS

Investment in the 2020 Bonds involves risks which may not be appropriate for certain investors. The following is a discussion of certain risk factors, in no particular order of importance, all of which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the 2020 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of existing or future property owners within the District to pay the Special Taxes levied in the District when due. Such failure to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.

Risks of Real Estate Secured Investments Generally

The Owners of the 2020 Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that the individual homeowners and other owners of Developed Property will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “Levy and Collection of the Special Taxes - Factors that Could Lead to Special Tax Deficiencies” below, for a discussion of certain limitations on the Authority’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligation to Pay Debt Service

The District has no obligation to pay principal of or interest on the Bonds if Special Tax collections are delinquent or insufficient for such purposes, other than from amounts, if any, available under the 2017 Reserve Policy held in the 2017 Reserve Account for the 2017 Bonds, amounts, if any, available under the 2020 Reserve Policy held in the 2020 Reserve Account for the 2020 Bonds, or funds derived from the foreclosure and sale of parcels for Special Tax delinquencies. Neither the District nor the Authority is obligated to advance its own funds to pay debt service on the Bonds.

Levy and Collection of the Special Taxes

General. The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against Developed Property within the District.

Limitation on Special Tax Rate. The annual levy of the Special Tax on any parcel is limited to the maximum Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Moreover, the Special Tax levy on a residential parcel may not be increased by more than 10% in any year as a consequence of delinquencies in payment of Special Taxes by other property owners in the District.

No Relationship Between Property Value and Special Tax Levy. Because the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Developed Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Developed Property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

Factors that Could Lead to Special Tax Deficiencies. The following are some of the factors that might cause the levy of the Special Tax on any particular Developed Property to vary from the Special Tax that might otherwise be expected:

Transfers to Governmental Entities. The number of Developed Parcels could be reduced through the acquisition of Developed Parcels by a governmental entity (by exercise of its rights as mortgage guarantor, or for other reasons) and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

Property Tax Delinquencies. In the event that the County discontinues the Teeter Plan with respect to Special Taxes, failure of the owners of Developed Parcels to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. See “THE DISTRICT - Teeter Plan; Foreclosure Proceedings.”

Payment of Special Taxes is not a Personal Obligation of the Property Owners

Property Owners are not personally obligated to pay their respective Special Taxes. Rather, the Special Taxes are obligations only against the respective parcels against which they are levied. If, after a default in the payment of the Special Tax and a foreclosure sale, the resulting proceeds are insufficient to pay the delinquent Special Taxes, taking into account other obligations also constituting a lien against the parcel, the Authority has no recourse against the parcel owner.

Assessed Valuations

The Authority has not commissioned an appraisal of the parcels in the District in connection with the issuance of the 2020 Bonds. Therefore, the estimated valuation of the parcels of Developed Property in the District set forth in this Official Statement is based on the County Assessor’s values. The assessed value is not an indication of what a willing buyer might pay for a property. The assessed value is not evidence of future value because future facts and circumstances may differ significantly from the present.

Property Values

The value of the Developed Property within the District is a critical factor in determining the investment quality of the 2020 Bonds. If a parcel owner defaults in the payment of the Special Taxes, the Authority's only remedy is to foreclose on the delinquent property to collect the delinquent Special Taxes.

The following is a discussion of risk factors that could affect the value of property in the District.

Prolonged Economic Downturn. Declines in property values in the District could result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by property owners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings, if required under the Fiscal Agent Agreement. See "Bankruptcy Delays" below. Some property values within the District were adversely affected by a decline in market value along with the rest of the State following the 2008-09 economic crisis.

Risks Related to Mortgage Loans. Although residential projects that have their homes built and occupied by homeowners are typically viewed as providing bondholders with strong credits, some of the home purchasers, especially those during 2004 to 2007, may face challenges in making their mortgage and tax payments on a timely basis, due to their initial high loan to value ratios, creative mortgage loan structures, and possible current negative equity levels.

Events in the United States and world-wide capital markets have affected and can adversely affect the future availability of mortgage loans to homeowners, including potential buyers of homes within the District. Any such unavailability could hinder the ability of the current homeowners to resell their homes, and adversely affect the market prices available to current homeowners and adversely affect the prospect for development of the vacant parcels in the District.

Natural Disasters. The value of the parcels of Developed Property in the District in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels in the District and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the District, like those in much of California, may be subject to earthquakes or other unpredictable seismic activity.

Seismic Activity. According to the Public Safety and Noise Element of the County's General Plan, the County is located in a seismically active region and could be impacted by a major earthquake originating from the numerous faults in the area. Surface rupture, ground shaking and liquefaction are the primary seismic risk to Santa Cruz County from a major earthquake along the San Andreas fault or within the Butano, Sargent, Zayante and Corralitos fault zones. Slope instability could result in landslides during ground shaking in some portions of the County. The District is located in an area classified as Seismic Risk Zone 4 by the Uniform Building Code. Seismic Risk Zone 4 includes the greater San Francisco Bay Area and all of coastal California. It is the highest risk zone classification of the Uniform Building Code. If there were to be an occurrence of severe seismic activity in the County, there could be substantial damage to and interference with the all or a portion of property within the District.

Other natural disasters could include, without limitation, floods, landslides, wildfires, droughts or tornadoes.

Flood. Flooding from rainfall is considered a risk and some areas of the County, and therefore the District, are within a 100-year flood plain. During the 2017 winter rains, several landslides occurred in the County. In addition, portions of the District are located along the Pacific Ocean. Property in the District could be subject to impacts from rising sea levels as discussed below or from tsunamis in the event of an earthquake occurring off-shore.

Wildfire. Because certain areas of the County are covered with woodland, brush or grassland, there is wildfire risk depending on weather conditions. In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can further lead to the destruction of homes. Increase in wildfire activity may be one impact of climate change due to increases in extreme temperatures. There can be no assurances that wildfires won't occur within the District. Property damage due to wildfire could result in a significant decrease in the market value of property in the County and in the ability or willingness of property owners to pay property taxes when due.

Drought. From time to time, the State has experienced severe droughts. On April 7, 2017, Governor Brown declared California's most recent drought emergency officially over in most parts of the State, including County. At that time, the Governor directed the State Water Board to lift the specific conservation provisions of its drought emergency regulations. The Authority cannot predict what effect any future drought conditions may have on property values, to what extent water reduction requirements may affect the homeowners or others in the District or to what extent drought could cause disruptions to economic activity within the boundaries of the District.

One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the taxable parcels may well depreciate.

Sea Level Rise and Risks Associated with Global Climate Change. The western boundary of the District is located along and inland from the Pacific Ocean coast of California. In recent years, concern has arisen regarding the impact of climate change on coastal communities like the County, the City of Santa Cruz and the City of Capitola, including as a result of sea level rise. The County's 2013 Climate Action Strategy and the City of Santa Cruz's 2018 – 2023 Climate Adaptation Plan each identifies risks of potential damage to property in the jurisdictions in the event of various climate change scenarios resulting from sea level rise as well as the actions current and future decision makers will need to take to protect the natural and built environments, residents, visitors, and the economic base and quality of life.

Sea level rise would gradually inundate low-lying areas, which includes the shoreline and beach areas along the coastline that are presently closest to sea level, and therefore some property in the District will be susceptible to direct impacts from rising sea levels. The greatest uncertainty is the rate at which sea level rise will occur. Because sea level rise is a gradual process, the affected public agencies can implement long term policies designed to mitigate the impacts, but there is no guarantee that there will be funding to invest in adaptation strategies or what the net effect of those strategies will be.

The impacts of sea level rise can include physical damage to property and therefore reduced habitability, which could result in a significant decrease in the market value of the property and in the ability or willingness of property owners to pay property taxes and Special Taxes when due. Other properties within the District are located along rivers that may be subject to more or increased flooding, again with a potential for impact on property value over time.

Prospective other impacts of climate change, in addition to sea level rise, have included extreme temperatures becoming more common and extreme weather events becoming more frequent. Projections of the impacts of global climate change on the property within the District are complex and depend on many factors that are outside the control of the Authority and the Members. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when

adverse impacts of climate change will occur or the extent of such impacts on the market value of property in the District.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the property values is a claim with regard to a hazardous substance. In general, the owners and operators of property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels of Developed Property in the District be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Although the Authority is not aware that the owner or operator of any of the parcels of Developed Property in the District has such a current liability, and no information is available as to the existence of any hazardous substances within the District, it is possible that such liabilities do currently exist. Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the property values that would otherwise be realized upon a delinquency in the payment of Special Taxes.

Other Factors. Other factors that could adversely affect property values in the District include, among others, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, and destruction of property caused by man-made disasters.

Other Possible Claims Upon the Property Values

While the Special Taxes are secured by a lien on the parcels of Developed Property in the District, the property is subject to various parity liens and other similar claims. The table listing the outstanding governmental obligations affecting the District is set forth under “THE DISTRICT - Estimated Direct and Overlapping Debt.” In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels within the District, and may be secured by a lien on a parity with the lien of the Special Taxes securing the Bonds.

In general, the Special Taxes, and all other taxes, assessments and charges also collected on the tax roll, are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. If proceedings are brought by the County to foreclose a delinquency, the Special Taxes will generally be on parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro rata basis.

Exemptions Under Rate and Method and the Mello-Roos Act

Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a

negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax.

In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Depletion of 2020 Reserve Account

A 2020 Reserve Account has been established under the Fiscal Agent Agreement and the 2020 Reserve Policy will be deposited therein, which may be used to pay principal of and interest on the 2020 Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Taxes against the Developed Property within the District. See “SECURITY FOR THE BONDS – 2020 Reserve Account.”

If the amount available under the 2020 Reserve Policy held in the 2020 Reserve Account is depleted, the 2020 Reserve Policy available amount can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay the Administrative Expense Requirement and all amounts to be paid to the Fiscal Agent under the Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur so long as the proceeds that are collected from the levy of the Special Tax against the Developed Property within the District at the maximum Special Tax rates, together with other available funds, remain insufficient to pay all such amounts. Moreover, the Special Tax levy on a residential parcel may not be increased in any year by more than 10% as a consequence of delinquencies in payment of Special Taxes by other property owners in the District. Thus, it is possible that the amount available under the 2020 Reserve Policy held in the 2020 Reserve Account will be depleted and not be replenished by the levy of the Special Tax.

Disclosure to Future Purchasers

The Authority recorded five Notices of Special Tax Lien with respect to the property in the District on August 18, 2016, in the Office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider the obligations represented by the Special Taxes in the purchase of a parcel of land or a home in the District, or the lending of money secured by property in the District.

No Acceleration

The Fiscal Agent Agreement does not contain a provision allowing for acceleration of the principal of the 2020 Bonds if a payment default or other default occurs under the Fiscal Agent Agreement.

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” interest on the 2020 Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2020 Bonds were issued as a result of future acts or omissions of the Authority in violation of its covenants in the Fiscal Agent Agreement.

The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2020 Bonds were to be includable in gross income for purposes of federal income taxation, the 2020 Bonds would continue to remain outstanding until maturity

unless earlier redeemed pursuant to the redemption provisions of the Fiscal Agent Agreement. See “THE 2020 BONDS - Redemption of 2020 Bonds.”

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the 2020 Bonds. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

Cybersecurity

The Authority is reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes, the Fiscal Agent, and the dissemination agent. No assurance can be given that the Authority, the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the 2020 Bond owners.

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the Authority. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

Proposition 218-Voter Approval for Local Government Taxes-Limitation on Fees, Assessments, and Charges-Initiative Constitutional Amendment, added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the registered voters residing within the District who constituted the qualified electors at the time of such voted authorization. The Authority believes, therefore, that issuance of the 2020 Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the District can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

Enforceability of Remedies

The remedies available to the Fiscal Agent and the owners of the 2020 Bonds upon a default under the Fiscal Agent Agreement or any other document described in this Official Statement are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The legal opinions to be delivered concurrently with the issuance of the 2020 Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the 2020 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Judicial remedies, such as enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

Bond Insurance

In the event of default of the payment of the scheduled principal of or interest on the 2020 Bonds when all or some becomes due, the Fiscal Agent on behalf of any owner of the 2020 Bonds shall have a claim under the 2020 Insurance Policy for such payments. The Bond Insurer may direct and must consent to any remedies with respect to the 2020 Bonds and the Bond Insurer's consent may be required in connection with amendments to any applicable documents relating to the 2020 Bonds. See "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT - Claims Upon the 2020 Bond Insurance Policy."

The Bond Insurer will have the ability to direct the actions of the Fiscal Agent, give consents and waivers and take other actions without regard to the views of the owners of the 2020 Bonds. As a result, Owners of 2020 Bonds may be limited in the rights and remedies they are able to exercise in the event of a default by the Authority under the Fiscal Agent Agreement. The Bond Insurer may have different business and other interests than the Owners of the 2020 Bonds.

The Bond Insurer is also providing the 2020 Reserve Policy that is available to be drawn on to pay debt service on the 2020 Bonds under certain conditions. See "SECURITY FOR THE BONDS - 2020 Reserve Account" herein.

The long-term insured rating on the 2020 Bonds is dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term rating of the Bond Insurer and the insured rating on the 2020 Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2020 Bonds or the marketability (liquidity) for the 2020 Bonds. See "CONCLUDING INFORMATION - Ratings on the 2020 Bonds" herein.

The obligations of the Bond Insurer under the 2020 Insurance Policy and the 2020 Reserve Policy are unsecured contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Authority nor the Municipal Advisor has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to make the debt service payments on the 2020 Bonds from the Net Special Taxes and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information regarding

the Bond Insurer and the 2020 Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Secondary Market for 2020 Bonds

There can be no guarantee that there will be a secondary market for the 2020 Bonds or, if a secondary market exists, that any 2020 Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the 2020 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2020 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the 2020 Bonds or obligations that present similar tax issues as the 2020 Bonds.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the 2020 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2020 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2020 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2020 Bonds who purchase the 2020 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2020 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2020 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2020 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium 2020 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2020 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, 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, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2020 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2020 Bonds, or as to the consequences of owning or receiving interest on the 2020 Bonds, as of any future date. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2020 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2020 Bonds, the ownership, sale or disposition of the 2020 Bonds, or the amount, accrual or receipt of interest on the 2020 Bonds.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel that is to be delivered on the date of issuance of the 2020 Bonds is attached hereto as Appendix B.

CONTINUING DISCLOSURE

The Authority has agreed in a Continuing Disclosure Certificate to provide certain annual financial information (the "Annual Reports") and notices of the occurrence of certain enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the "Rule") by not later than February 28 in each year commencing February 28, 2021. Harrell & Company Advisors, LLC will act as dissemination agent (the "Dissemination Agent") pursuant to the Continuing Disclosure Certificate. The specific nature of the information to be contained in the Annual Reports or the notices of listed events and certain other terms of the continuing disclosure obligation are found in the form of the Continuing Disclosure Certificate in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

It is expected that the Dissemination Agent will prepare and file the Annual Report and any notices of enumerated events as required by the Continuing Disclosure Certificate on behalf of the Authority.

The Authority's only other continuing disclosure obligation is a continuing disclosure obligation related to the 2017 Bonds. A review of the Authority's compliance with its previous continuing disclosure undertaking was conducted and since the issuance of the 2017 Bonds, and the Authority believes it has complied in all material respects with their prior continuing disclosure undertaking.

LEGAL MATTERS

Absence of Litigation

At the time of delivery of and payment for the 2020 Bonds, the Authority will deliver a certificate to the effect that there is no known action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency known to be pending against the Authority or the District affecting the existence of the Authority or the District or the title of their respective officers to office or seeking to restrain or to enjoin the issuance, sale, or delivery of the 2020 Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Taxes to pay the principal of and interest on the 2020 Bonds, or in any way contesting or affecting the validity or enforceability of the 2020 Bonds, the Resolution of Issuance, the Fiscal Agent Agreement, or any other applicable agreements or any action of the Authority or the District or contemplated by any of said documents.

Legal Matters Incident to the Issuance of the 2020 Bonds

Certain legal matters incident to the authorization and issuance of the 2020 Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, acting in its capacity as Bond Counsel. Certain legal matters related to the 2020 Bonds and the District will be passed upon by Atchison, Barisone & Condotti, a Professional Corporation, acting in its capacity as General Counsel to the Authority. Certain legal matters related to disclosure will be passed upon for the Authority by Quint & Thimmig LLP, acting in its capacity as Disclosure Counsel to the Authority. Payment of Bond Counsel's and Disclosure Counsel's, fees and expenses is contingent upon the sale and issuance of the 2020 Bonds. The various legal opinions to be delivered concurrently with the delivery of the 2020 Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

CONCLUDING INFORMATION

Ratings on the 2020 Bonds

S&P Global Ratings ("S&P") has assigned to the 2020 Bonds its municipal bond rating of "AA" with the understanding that the 2020 Insurance Policy insuring the payment when due of the principal of and interest on the 2020 Bonds will be issued concurrently by the Bond Insurer with the delivery of the 2020 Bonds. The 2020 Bonds have received the underlying rating of "A+" by S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Except as otherwise required in the Continuing Disclosure Certificate, the Authority undertakes no responsibility either to bring to the attention of the owners of any

2020 Bonds any downward revision or withdrawal of any ratings obtained or to oppose any such revision or withdrawal. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Underwriting

The 2020 Bonds were sold to _____ (the “Underwriter”) at competitive bid. The Underwriter is offering the 2020 Bonds at the initial offering prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter will purchase the 2020 Bonds at a price equal to \$_____, which represents the principal amount of the 2020 Bonds, plus a net original issue premium of \$_____ and less an Underwriter’s discount of \$_____.

The Municipal Advisor

The material contained in this Official Statement was prepared by the Authority with the assistance of Harrell & Company Advisors, LLC, Orange, California (the “Municipal Advisor”), an independent financial consulting firm, which advised the Authority as to the financial structure and certain other financial matters relating to the 2020 Bonds. The information set forth herein has been obtained by the Authority from sources which are believed to be reliable, but such information is not guaranteed by the Municipal Advisor as to accuracy or completeness, nor has it been independently verified by the Municipal Advisor. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the 2020 Bonds.

Miscellaneous

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement between any of the Authority, the District or the Underwriter and the purchasers or the owners of the 2020 Bonds.

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

SANTA CRUZ LIBRARIES FACILITIES
FINANCING AUTHORITY, for and on behalf of
SANTA CRUZ LIBRARIES FACILITIES
FINANCING AUTHORITY COMMUNITY
FACILITIES DISTRICT NO. 2016-1

By: _____
Treasurer-Controller

APPENDIX A

SUMMARY OF THE FISCAL AGENT AGREEMENT

The following is a brief summary of the provisions of the Fiscal Agent Agreement (the "Original Agreement") and the First Supplemental Fiscal Agent Agreement (the "First Supplemental Agreement" and, together with the Original Agreement, the "Agreement"). This Summary is not intended to be definitive. Reference is made to the actual document (a copy of which is available from the Authority) for the complete terms thereof.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary or previously defined in this Official Statement have the respective meanings previously given. The following are not all of the terms defined in the Agreement.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 *et seq.* of the California Government Code.

"Administrative Expenses" means the actual or reasonably estimated costs incurred by the Authority directly related to the administration of the District and the Special Taxes, including without limitation the following:

- (A) the costs of computing the Special Taxes and of preparing the annual Special Tax collection schedules (whether by the Treasurer or designee thereof or both);
- (B) the costs of collecting the Special Taxes (whether by the County or otherwise);
- (C) the costs of remitting the Special Taxes to the Fiscal Agent for the Bonds;
- (D) the fees and expenses of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Agreement;
- (E) the costs incurred by the Authority in complying with the disclosure requirements of applicable federal and state securities laws, CDIAC, Government Code Section 50075.1, *et seq.*, and of the Act, Government Code Section 8855(k)(1), Government Code Section 12463.2, the Authority's Continuing Disclosure Certificate, and the Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners and the Original Purchaser;
- (F) the costs of the Authority or its designee related to any appeal of the Special Tax;
- (G) the costs to calculate (whether by the Treasurer or designee thereof or both) any amounts required to be rebated to the federal government in order for the Authority to comply with the Agreement and the amount to be rebated;

- (H) an allocable share of the salaries of the Authority staff directly relating to all of the foregoing or of the Santa Cruz Public Libraries staff and its overhead incurred in administering the Bonds or the Improvement Funds and accounts therein;
- (I) the costs of the annual audit of the Authority;
- (J) amounts advanced by the Authority for Administrative Expenses or any other purposes related to the administration of the District
- (K) costs related to the prepayment, discharge or satisfaction of Special Taxes; and
- (L) and the costs of commencing and pursuing to completion any foreclosure action arising from delinquent Special Taxes.

“Administrative Expense Fund” means the fund by that name established in the Agreement.

“Administrative Expense Requirement” means, for Fiscal Year 2017-18, \$100,000, which shall increase each Fiscal Year by 3% of the amount in effect for the prior Fiscal Year.

“Agreement” means the Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions of the Agreement.

“Annual Debt Service” means, for each Bond Year, the sum of

- (A) the interest due on the Outstanding Bonds and Parity Bonds in such Bond Year, assuming that the Outstanding Bonds and Parity Bonds are retired as scheduled (including by reason of the Agreement providing for mandatory sinking payments), and
- (B) the principal amount of the Outstanding Bonds and Parity Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

“Auditor” means the Auditor-Controller Treasurer Tax Collector of the County of Santa Cruz.

“Authority” means the Santa Cruz Libraries Facilities Financing Authority, and any successor thereto.

“Authorized Investments” or “Permitted Investments” means, subject to applicable law:

- (A) Federal Securities.
- (B) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks, which may include the Fiscal Agent and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of “P-1” by Moody’s Investors Service and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

- (C) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;
- (D) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Fiscal Agent or an affiliate of the Fiscal Agent receives and retains a fee for services provided to the fund, (ii) the Fiscal Agent collects fees for services rendered pursuant to the Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent;
- (E) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and which at the time of purchase are rated, based on an irrevocable escrow account or fund, in the highest rating category of Moody’s or S&P or any successors thereto;
- (F) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P; or
- (G) The Local Agency Investment Fund (LAIF) maintained by the State of California.

“**Authorized Officer**” means the Chair of the Board, the Executive Director of the Authority, and the Treasurer-Controller of the Authority, or any other officer or employee of the Authority authorized by the Board or by an Authorized Officer to undertake the action referred to in this Agreement as required to be undertaken by an Authorized Officer.

“**BAM**” means the 2020 Bond Insurer.

“**Board**” means the Board of the Authority.

“**Bond Counsel**” means Jones Hall, A Professional Law Corporation, or any attorney or firm of attorneys selected by the Authority with expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“**Bond Fund**” means the fund by that name established in the Agreement.

“**Bond Register**” means the books for the registration and transfer of Bonds maintained by the Fiscal Agent.

“**Bond Year**” means the one-year period beginning on September 2nd in each year and ending on September 1st in the following year, except that the first Bond Year for the 2020 Bonds will begin on the Closing Date and end on September 1, 2020.

“Bonds” means the 2017 Bonds, the 2020 Bonds, and any additional Parity Bonds issued under the Original Agreement, except as provided in the provisions of the Original Agreement concerning the Reserve Fund and in the definition of Reserve Requirement in the Original Agreement.

“Business Day” means any day other than (i) a Saturday or a Sunday, or (ii) a day on which banking institutions in California, the state in which the Fiscal Agent has a corporate trust office are authorized or obligated by law or executive order to be closed.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

“Cities” means, collectively: (i) the City of Santa Cruz, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California; (ii) the City of Scotts Valley, a general law city and municipal corporation duly organized and existing under the laws of the State of California; and (iii) the City of Capitola, a general law city and municipal corporation duly organized and existing under the laws of the State of California.

“Closing Date” means, with respect to the 2020 Bonds, _____, 2020, being the date upon which there is delivery of the 2020 Bonds in exchange for the amount representing the purchase price of the 2020 Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the Authority, with Harrell & Company Advisors, LLC, as dissemination agent, dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of the 2020 Bonds, including without limitation: printing costs and costs of reproducing and binding documents; closing costs; filing and recording fees; rating agency fees; initial fees and charges of the Fiscal Agent, including its first annual administration fee and fees and expenses of its counsel; expenses incurred by the Authority in connection with the issuance of the 2020 Bonds and the establishment of the District; Tax Consultant fees and expenses; bond underwriter’s discount (if applicable); legal fees and charges, including bond counsel, disclosure counsel, and Authority general counsel; municipal advisor fees and expenses; fees and charges related to the offering and sale of the 2020 Bonds; the premium for the 2020 Bond Insurance Policy and the 2020 Reserve Policy, charges for execution, transportation and safekeeping of the 2020 Bonds; and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established in the Agreement.

“County” means the County of Santa Cruz, California, a California county duly organized and existing under the laws of the State of California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository.

“Developed Property” has the same meaning as set forth in the Rate and Method of Apportionment.

“District” means the Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, formed by the Authority under the Act and the Resolution of Formation.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if

- (A) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code,
- (B) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code,
- (C) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or
- (D) any commingled investment fund in which the Issuer and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

To the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

“Federal Securities” means

- (A) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; and

- (B) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are fully, unconditionally and directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Agent” means The Bank of New York Mellon Trust Company, N.A., appointed by the Authority and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Fund” means the fund, together with the accounts, established in the Agreement.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by an Authorized Officer, and who, or each of whom:

(A) is judged by the Authorized Officer to have experience in matters relating to the administration of special taxes and bonds under the Act;

(B) is in fact independent and not under the domination of the Authority;

(C) does not have any substantial interest, direct or indirect, with or in the Authority, or any owner of real property in the District, or any real property in the District; and

(D) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make reports to the Authority.

“Information Service” means the Electronic Municipal Market Access (EMMA) system maintained by the Municipal Securities Rulemaking Board, accessible at the emma.msrb.org website, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may designate in a Written Request delivered to the Fiscal Agent.

“Insurance Policy” means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

“Insurer” means Build America Mutual Assurance Company, its successors and assigns, as issuer of the Insurance Policy, or any successor thereto or assignee thereof.

“Interest Payment Dates” means, with respect to the 2020 Bonds, March 1 and September 1 of each year, commencing September 1, 2020.

“JCFA” means the Joint Community Facilities Agreement entered into as of February 28, 2017, by and among the Authority, the City of Santa Cruz, the City of Scotts Valley, the City of Capitola and the County of Santa Cruz.

“JPA Agreement” means the Amended and Restated Joint Exercise of Power Agreement among the Cities and County, dated as of February 28 ,2017.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds and Parity Bonds.

“Moody’s” means Moody’s Investors Service, and any successor thereto.

“Net Special Taxes” means, after the Administrative Expense Requirement is funded to the Administrative Expense Fund, the proceeds of the Special Taxes received by the Authority, including any scheduled payments and prepayment thereof. “Net Special Taxes” does not include any penalties or costs of collecting delinquent Special Taxes collected in connection with delinquent Special Taxes.

“Ordinance” means any ordinance adopted by the Board providing for the levy of the Special Taxes.

“Original Purchaser” means _____, the first purchaser of the Bonds from the Authority.

“Outstanding,” when used as of any particular time with reference to Bonds and Parity Bonds, means all Bonds except: (i) Bonds and Parity Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds and Parity Bonds paid or deemed to have been paid; and (iii) Bonds and Parity Bonds in lieu of or in substitution for which other Bonds and Parity Bonds have been authorized, executed, issued and delivered by the Authority pursuant to the Agreement or any Supplemental Agreement.

“Owner” means any person who is the registered owner of any Outstanding Bond.

“Parity Bonds” means any additional bonds (including any bonds issued pursuant to a Supplemental Agreement) issued by the Authority that are payable from Net Special Taxes and moneys in the Special Tax Fund and the Bond Fund, on a parity with any then-Outstanding Bonds, pursuant to the Agreement.

“Participating Underwriter” has the meaning given in the Continuing Disclosure Certificate.

“Parties” means, collectively, the Cities and County.

“Principal Office” means the corporate trust office of the Fiscal Agent or such other or additional offices as may be designated by the Fiscal Agent.

“Project” means the facilities eligible to be funded by the District more particularly described in the Resolution of Formation.

“Qualified Reserve Fund Credit Instrument” means the 2020 Reserve Policy, and any irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited in the 2020 Account of the Reserve Fund,

provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent:

(a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company;

(b) such letter of credit, insurance policy or surety bond has a term of at least 12 months;

(c) such letter of credit or surety bond has a stated amount at least equal to the Reserve Requirement for the 2020 Bonds (or, if being substituted for a portion of the cash on deposit in the 2020 Account of the Reserve Fund or another Qualified Reserve Fund Credit Instrument, equal to the funds proposed to be released or to the amount available to be drawn on the Qualified Reserve Fund Credit Instrument to be released); and

(d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2020 Bonds.

"Rate and Method of Apportionment" means the Rate and Method of Apportionment of Special Taxes for the District, as approved by the Board on February 11, 2016.

"Record Date" means the 15th day of the month (whether or not such day is a Business Day) next preceding the month of the applicable Interest Payment Date.

"Reserve Fund" means the fund by that name established in the Agreement.

"Reserve Requirement" means, with respect to the 2020 Bonds, as of any date of calculation, an amount equal to 50% of the least of the following:

- (i) the then-Maximum Annual Debt Service with respect to the 2020 Bonds,
- (ii) 125% of the then average Annual Debt Service with respect to the 2020 Bonds, or
- (iii) 10% of the initial principal amount of the 2020 Bonds.

"Resolution of Formation" means Resolution No. 2016-001 of the Board adopted on February 11, 2016.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC, and any successor thereto.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232, and,

in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and such other securities depositories as the Authority may designate in a written direction of an Authorized Officer delivered to the Fiscal Agent.

“Special Tax Fund” means the fund by that name established in the Agreement.

“Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the Authority, as calculated pursuant to the Rate and Method of Apportionment for the Authority, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name within the Bond Fund established by the Agreement.

“Special Taxes” means the special taxes levied within the District pursuant to the Act, the Rate and Method of Apportionment, the Ordinance and the Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution that has been duly adopted by the legislative body of the Authority under the Act and which agreement amends or supplements the Agreement, but only if and to the extent that such agreement is specifically authorized under the Agreement.

“Tax Consultant” means any independent consultant retained by the Authority for the purpose of computing the Special Taxes.

“Treasurer” means the Treasurer-Controller of the Authority.

“2017 Bonds” means the bonds captioned “Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds.”

“2020 Bond Insurance Policy” means the Municipal Bond Insurance Policy (Policy No. _____) issued by the 2020 Bond Insurer on the Closing Date that guarantees the scheduled payment of principal of and interest on the 2020 Bonds when due.

“2020 Bond Insurer” means Build America Mutual Assurance Company.

“2020 Bonds” means the bonds captioned “Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2020 Special Tax Parity Bonds.”

“2020 Reserve Policy” means the debt service reserve insurance policy (Policy No. _____) to be issued by the 2020 Bond Insurer on the Closing Date and deposited into the Reserve Fund in satisfaction of the initial Reserve Requirement with respect to the 2020 Bonds.

FUNDS AND ACCOUNTS

The following funds and accounts are established pursuant to the Agreement:

Improvement Fund. The Improvement Fund is established as a separate fund to be held by the Fiscal Agent.

Within the Improvement Fund, the First Supplemental Fiscal Agent Agreement establishes an account (each an "Account") for the County of Santa Cruz and the Cities of Capitola and Scotts Valley.

The Fiscal Agent shall credit to each Account the deposits required by the Agreement. Further deposits into the Improvement Fund shall be made as provided in the Agreement.

Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the Authority and shall be disbursed for the payment or reimbursement of costs of the Project in accordance with the JCFA.

Moneys in the Improvement Fund shall be invested in accordance with the Agreement as summarized herein under the heading "INVESTMENTS." Interest earnings and profits from such investment shall be deposited and credited by the Fiscal Agent to each Account within the Improvement Fund.

Costs of Issuance Fund. A Costs of Issuance Fund is established, as a separate fund to be held by the Fiscal Agent. Within the Costs of Issuance Fund, the Fiscal Agent will establish a separate account for the 2020 Bonds.

Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer and delivered to the Fiscal Agent concurrently with the delivery of the Bonds and from time to time thereafter.

Reserve Fund. A Reserve Fund is established, as a separate fund to be held by the Fiscal Agent. Within the Reserve Fund, the Fiscal Agent will establish a separate account for the 2020 Bonds known as the "2020 Account." On the Closing Date the Fiscal Agent shall credit the 2020 Reserve Policy to the 2020 Account of the Reserve Fund in satisfaction of the Reserve Requirement for the 2020 Bonds, and deposits shall thereafter be made as provided in the Agreement.

Moneys or Qualified Reserve Fund Credit Instruments, including the 2020 Reserve Policy, in the 2020 Account of the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the 2020 Bonds as a reserve for the payment of principal of, and interest and any premium on, the 2020 Bonds and shall be subject to a lien in favor of the Owners of the 2020 Bonds.

The 2020 Account of the Reserve Fund shall secure only the payment of debt service on the 2020 Bonds. The 2017 Bonds and additional Parity Bonds, if and to the extent issued, shall not be secured by the 2020 Account of the Reserve Fund.

All amounts deposited in the 2020 Account of the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the 2020 Bonds.

So long as the 2020 Account of the Reserve Fund is funded solely with the 2020 Reserve Policy or another Qualified Reserve Fund Credit Instrument, no amounts shall be transferred from the 2020 Account of the Reserve Fund upon prepayment of Special Taxes.

Whenever a transfer is made from the 2020 Account of the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to an Authorized Officer, specifying the amount withdrawn.

The Authority shall have the right at any time to direct the Fiscal Agent to release the 2020 Reserve Policy, or any other Qualified Reserve Fund Credit Instrument, from the 2020 Account of the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent:

- (1) a Qualified Reserve Fund Credit Instrument, and
- (2) an opinion of Bond Counsel stating that such release will not, of itself, cause interest with respect to the 2020 Bonds to become includable in gross income for purposes of federal income taxation.

Notwithstanding any other provision of this First Supplemental Agreement, the Authority is not required to replace the 2020 Reserve Policy or any Qualified Reserve Fund Credit Instrument, or deposit cash in the 2020 Account of the Reserve Fund, if the provider of the 2020 Reserve Policy or any other Qualified Reserve Fund Credit Instrument is downgraded by S&P or Moody's or fails to honor a draw thereon; it being the intent of the Authority that if the 2020 Reserve Policy or other Qualified Reserve Fund Credit Instrument meets the requirements of this First Supplemental Agreement at the time it is delivered to the Fiscal Agent, it will remain a Qualified Reserve Fund Credit Instrument for its stated term.

Bond Fund. A Bond Fund is established, as a separate fund to be held by the Fiscal Agent. Within the Bond Fund, the Fiscal Agent shall establish a separate account known as the Special Tax Prepayments Account.

Moneys in the Bond Fund and the account therein shall be held in trust by the Fiscal Agent for the benefit of the Owners, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners.

Unless a Supplemental Agreement for the issuance of Parity Bonds requires amounts in the Special Tax Prepayments Account to be used for the redemption of such Parity Bonds, any amounts in the Special Tax Prepayments Account will be transferred to the Bond Fund on or before each Interest Payment Date, or otherwise as directed by an Authorized Officer for the redemption of the Bonds in accordance with the optional redemption provisions of the Agreement.

Moneys in the Bond Fund and the Special Tax Prepayments Account shall be invested in accordance with the Agreement as summarized herein under the heading "INVESTMENTS." Interest earnings and profits resulting from the investment of amounts in the Bond Fund shall be retained in the Bond Fund and used for the purposes thereof. Interest earnings and profits

resulting from the investment of amounts in the Special Tax Prepayments Account shall be retained in the Special Tax Prepayments Account and used for the purposes thereof.

Special Tax Fund. A Special Tax Fund is established, as a separate fund to be held by the Authority, to the credit of which the Authority will cause all Special Taxes received by the Authority to be deposited; provided that if Special Tax Prepayments greater than \$40,000 with respect to any single parcel are received, such Special Tax Prepayments shall be transferred by an Authorized Officer to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Agreement. Moneys in the Special Tax Fund shall be held in trust by the Authority for the benefit of the Authority and the Owners, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners and the Authority.

From time to time as needed to pay the obligations of the Authority, but no later than three Business Days before each Interest Payment Date, the Authority shall withdraw from the Special Tax Fund and transfer to the Fiscal Agent the amounts for deposit by the Fiscal Agent and in the order of priority provided in the Agreement.

All amounts remaining in the Special Tax Fund on the 30th day of the succeeding Bond Year shall be retained in the Special Tax Fund and applied to the succeeding Bond Year's Annual Debt Service or be distributed to the members of the Authority pursuant to the JPA Agreement; provided however, that in no event shall such amounts be invested at a yield in excess of the yield on the Bonds.

Moneys in the Special Tax Fund shall be invested by the Authority in any investments permitted by Law. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Administrative Expense Fund. An Administrative Expense Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by the Agreement. Moneys in the Administrative Expense Fund shall be held in trust by the Fiscal Agent for the benefit of the Authority. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the Authority upon receipt by the Fiscal Agent of requisition of an Authorized Officer stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense and the nature of such Administrative Expense.

Moneys in the Administrative Expense Fund shall be invested in accordance with the Agreement as summarized herein under the heading "INVESTMENTS." Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Administrative Expense Fund to be used for the purposes thereof.

COVENANTS OF THE AUTHORITY

Punctual Payment. The Authority will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Agreement and of all Supplemental Agreements and of the Bonds.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the Authority shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest is extended or funded, whether or not with the consent of the Authority, such claim for interest so extended or funded shall not be entitled, in case of default under the Agreement, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest that have not been so extended or funded.

Against Encumbrances. The Authority shall not encumber, pledge or place any charge or lien upon any of the Net Special Taxes or other amounts or funds pledged to the Bonds superior to or on a parity with the pledge and lien created in the Agreement for the benefit of the Bonds, except as permitted by the Agreement.

Books and Records. The Authority shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Authority, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Administrative Expense Fund and the Special Tax Fund, and to the Net Special Taxes. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The Authority shall preserve and protect the security of the Bonds and the rights of the Owners, and shall warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the Authority, the Bonds shall be incontestable by the Authority.

Collection of Special Taxes. The Authority shall comply with all requirements of the Act so as to assure the timely collection of Special Taxes, including without limitation, the enforcement of delinquent Special Taxes.

Further Assurances. The Authority shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Agreement.

Tax Covenants.

Generally. The Authority shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the 2020 Bonds to become includable in gross income for federal income tax purposes.

Private Activity Bond Limitation. The Authority shall assure that the proceeds of the 2020 Bonds are not used in a manner which would cause the 2020 Bonds to become “private activity bonds” within the meaning of section 141(a) of the Code or to meet the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2020 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

No Arbitrage. The Authority shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the 2020 Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the 2020 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Rebate of Excess Investment Earnings. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the 2020 Bonds which are required to be rebated to the United States of America under Section 148(f) of the Code, at the times and in the manner required under the Code. The Authority shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Code, such payments to be made from any source of legally available funds of the Authority. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the 2020 Bonds, records of the determinations made under the Agreement.

The Fiscal Agent has no duty to monitor the compliance by the Authority with any of the tax covenants contained in the Agreement.

Reporting Requirements.

Continuing Disclosure. The Authority covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Agreement, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered a default under the Agreement; however, any Participating Underwriter or any holder or beneficial owner of the 2020 Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations thereunder, including seeking mandate or specific performance by court order.

Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the 2020 Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the 2020 Bonds, an Authorized Officer shall cause the following information to be supplied to CDIAC, to the Original Purchaser, and to the Information Service: (i) the principal amount of the 2020 Bonds Outstanding; (ii) the balance in the Reserve Fund; (iii) the number of parcels in the District that are delinquent in the payment of Special Taxes, the amount of each delinquency, the length of time delinquent and when foreclosure was commenced for each delinquent parcel; (iv) the balance in the Improvement Fund; and (iv) the assessed value of all parcels in the District subject to the levy of the Special Taxes as shown in most recent equalized roll.

No later than January 31 of each calendar year (commencing January 31, 2018), the Authority agrees to provide to CDIAC the annual report information required by Section 8855(k)(1) of the California Government Code.

These annual reports shall be made using such form or forms as may be prescribed by CDIAC.

Additionally, no later than January 31 of each calendar year the Authority agrees to provide to the California State Controller, Division of Accounting and Reporting, the annual report information required by Section 12463.2 of the California Government Code.

Reduction of Special Taxes. The Authority shall not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative or referendum measure is proposed that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the Authority shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Limits on Special Tax Waivers and Bond Tenders. The Authority covenants (a) not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of Owners of the Bonds, and (b) not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant confirming that the acceptance of such tender will not result in the Authority having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender, assuming Special Taxes are levied in the future, as provided under the Agreement.

Modifications to the Rate and Method of Apportionment. The Authority shall not initiate proceedings under the Act to modify the Rate and Method of Apportionment if such modification would adversely affect the security for the Bonds. If an initiative or referendum measure is proposed that purports to modify the Rate and Method of Apportionment in a manner that would adversely affect the security for the Bonds, the Authority shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method of Apportionment in a manner that would adversely affect the security for the Bonds.

INVESTMENTS

Moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Authorized Investments, as directed pursuant to the written direction of an Authorized Officer. In the absence of any such written direction, the Fiscal Agent shall invest, to the extent reasonably practicable, any such moneys in the Authorized Investment described in paragraph (D) of the definition thereof, and otherwise hold such amounts uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

Except as otherwise provided the Agreement, the Authority covenants that all investments of amounts deposited in the Improvement Fund and its Accounts, and in any other fund or account created by or pursuant to the Agreement containing gross proceeds of the Bonds (within the meaning of section 148 of the Code), will be acquired, disposed of, and valued (as of the date that valuation is required by the Agreement or the Code) at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code will be valued at their present value (within the meaning of section 148 of the Code).

LIABILITY OF THE AUTHORITY

The Authority shall incur no responsibility in respect of the Bonds or the Agreement other than in connection with the duties or obligations explicitly stated in the Agreement or in the Bonds assigned to or imposed upon it. The Authority shall not be liable in connection with the performance of its duties under the Agreement, except for its own negligence or willful default. The Authority shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Fiscal Agent or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of the Agreement. The Authority shall not be liable for any error of judgment made in good faith unless it is proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of the Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its obligations under the Agreement, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

MODIFICATION OR AMENDMENT OF THE AGREEMENT

The Agreement and the rights and obligations of the Authority and of the Owners may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting of the Owners, of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Authority to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the Authority of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Agreement), or (iii) reduce the percentage of Bonds required for the amendment of the Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Agreement and the rights and obligations of the Authority and of the Owners may also be modified or amended at any time by a Supplemental Agreement without the consent of any Owners only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the Authority in the Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power reserved to or conferred upon the Authority;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the Authority in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Agreement, or in regard to questions arising under the Agreement, as the Authority and the Fiscal Agent may deem necessary or desirable, so long as the provisions are not inconsistent with the Agreement and do not adversely affect the rights of the Owners;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from gross federal income taxation of interest on the Bonds (if applicable to any outstanding series of Bonds);

(E) to modify, alter or amend the Rate and Method of Apportionment in any manner so long as such changes do not reduce the maximum annual Special Taxes that may be levied in each year on Developed Property within the District to an amount which is less than the Administrative Expense Requirement plus 110% of Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds (including any Parity Bonds) Outstanding as of the date of such amendment; and

(F) In connection with the future issuance of Parity Bonds.

DISCHARGE OF AGREEMENT

The Authority has the option to pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money that, together with the amounts then on deposit in the funds and accounts provided for in the Agreement with respect to the Bond Fund, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the Authority determines as confirmed by Bond Counsel or an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Agreement with respect to the Bond Fund, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the Authority takes any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof and notice of such redemption has been given as provided in the Agreement or the Authority has made provision for the giving of such notice satisfactory to the Fiscal Agent, then, at the election of the Authority, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the Authority under the Agreement with respect to such Outstanding Bonds shall cease and terminate. The Authority shall file notice of such election with the Fiscal Agent. Notwithstanding the foregoing, the Authority will still be obligated to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, all amounts owing to the Fiscal Agent and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the Authority with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent that are not required for the purposes of the preceding paragraph shall be paid over to the Authority and any Special Taxes thereafter received by the Authority shall not be remitted to the Fiscal Agent but shall be retained by the Authority to be used for any purpose permitted under the Act.

CLAIMS UPON THE 2020 BOND INSURANCE POLICY

In the event that principal and/or interest due on the 2020 Bonds is paid by BAM pursuant to the 2020 Bond Insurance Policy, the 2020 Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners.

In the event that on the 2nd business day prior to any payment date on the 2020 Bonds, the Fiscal Agent has not received sufficient moneys to pay all principal of and interest on the 2020 Bonds due on such payment date, the Fiscal Agent shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Fiscal Agent shall so notify BAM or its designee.

In addition, if the Fiscal Agent has notice that any holder of the 2020 Bonds has been required to disgorge payments of principal of or interest on the 2020 Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Fiscal Agent shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

The Fiscal Agent shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the 2020 Bonds as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the 2020 Bonds, the Fiscal Agent shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the 2020 Bonds in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the 2020 Bonds, (ii) receive as designee of the respective holders (and not as Fiscal Agent) in accordance with the tenor of the 2020 Bond Insurance Policy payment from BAM with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "BAM Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the 2020 Bonds, and (iv) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the 2020 Bonds, the Fiscal Agent shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the 2020 Bonds in any legal proceeding related to the payment of such principal and an assignment to BAM of the 2020 Bonds surrendered to BAM, (ii) receive as designee of the respective holders (and not as Fiscal Agent) in accordance with the tenor of the 2020 Bond Insurance Policy payment therefore from BAM, (iii) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal of and interest on the 2020 Bonds, and (iv) disburse the same to such holders.

The Fiscal Agent shall designate any portion of payment of principal on 2020 Bonds paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2020 Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement 2020 Bond to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Fiscal Agent's failure to so designate any payment or issue any replacement 2020 Bonds shall have no effect on the amount of principal or interest payable by the Authority on any 2020 Bonds or the subrogation or assignment rights of BAM.

Payments with respect to claims for interest on and principal of 2020 Bonds disbursed by the Fiscal Agent from proceeds of the 2020 Bond Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such 2020 Bonds, and BAM shall become the owner of such unpaid 2020 Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Fiscal Agent Agreement shall not be discharged or terminated unless all amounts due or to become due to BAM have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Authority and the Fiscal Agent agree for the benefit of BAM that:

(a) They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Fiscal Agent), on account of principal of or interest on the 2020 Bonds, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources stated in the Fiscal Agent Agreement and the 2020 Bonds; and

(b) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the Fiscal Agent Agreement and the 2020 Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the 2020 Bonds to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

CLAIMS UPON THE 2020 RESERVE POLICY

(a) The Authority shall repay any draws under the 2020 Reserve Policy and pay all related reasonable expenses incurred by the Insurer from funds pledged under the Agreement. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the 2020 Reserve Policy will be increased by a like amount, subject to the terms of the 2020 Reserve Policy.

Draws on all Qualified Reserve Fund Credit Instruments (including the 2020 Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Fund Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) Draws under the 2020 Reserve Policy may only be used to make payments on Bonds.

(c) If the Issuer shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Agreement other than (i) acceleration of the maturity of the 2020 Bonds, or (ii) remedies which would adversely affect owners of the 2020 Bonds.

(d) The Agreement shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The Authority's obligation to pay such amount from funds pledged under the Agreement shall expressly survive payment in full of the 2020 Bonds.

(e) The Fiscal Agent shall ascertain the necessity for a claim upon the 2020 Reserve Policy in accordance with the provisions of paragraph (a) hereof and provide notice to the Insurer at least three business days prior to each date upon which interest or principal is due on the 2020 Bonds.

(f) The 2020 Reserve Policy shall expire on the earlier of the date the 2020 Bonds are no longer outstanding and the final maturity date of the 2020 Bonds.

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

_____, 2020

Board
Santa Cruz Library Facilities Financing Authority
117 Union Street
Santa Cruz, California 95060

OPINION: \$ _____ Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1, 2020 Special Tax Parity Bonds

Members of the Board:

We have acted as bond counsel to the Santa Cruz Libraries Facilities Financing Authority (the "Authority"), the Board of which (the "Board") acts as the legislative body of the Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 (the "Community Facilities District"), in connection with the issuance by the Authority of the special tax bonds captioned above, dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued under the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), a resolution of the Board adopted on February 6, 2020 (the "Resolution"), and a Fiscal Agent Agreement dated as of June 1, 2017, as supplemented and amended by a First Supplemental Fiscal Agent Agreement dated as of March 1, 2020 (as supplemented, the "Fiscal Agent Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent (the "Fiscal Agent"). Under the Fiscal Agent Agreement, the Authority has pledged certain revenues ("Net Special Taxes") for the payment of principal and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a joint exercise of powers authority duly created and validly existing under the Constitution and the laws of the State of California with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Community Facilities District is a community facilities district duly created and validly existing under the Constitution and the laws of the State of California.

3. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Fiscal Agent Agreement creates a valid lien on the Net Special Taxes and amounts in the Bond Fund and Special Tax Fund pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds issued or to be issued under the Fiscal Agent Agreement.

5. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Net Special Taxes and other funds provided therefor in the Fiscal Agent Agreement.

6. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds. .

7. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX C

Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1

RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property within the Santa Cruz Libraries Facilities Financing Authority's Community Facilities District No. 2016-1 ("CFD No. 2016-1") and collected each Fiscal Year commencing in Fiscal Year 2016/17, in an amount determined by the Board of Directors of the Santa Cruz Libraries Facilities Financing Authority or its designee, through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2016-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State.

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the administration of CFD No. 2016-1; including, without limitation: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Authority or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the Authority, CFD No. 2016-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the Authority, CFD No. 2016-1 or any designee thereof of complying with disclosure requirements under applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the Authority, CFD No. 2016-1 or any designee thereof related to any appeal of the Special Tax; the costs associated with the release of funds from any escrow account; and the Authority's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the Authority or CFD No. 2016-1 for any other administrative purposes of CFD No. 2016-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Agricultural Property" means all Assessor's Parcels of Developed Property used for farming or agriculture. Typical County Use Codes include: 410, 411, 412, 420, 421, 422, 430, 431, 432, 450, 451, 452, 470, 480, and 490.

"Assessor's Data" means Acreage, Use Code, Building Square Footage, or other information regarding Assessor's Parcels contained in the records of the County Assessor.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's Parcel number.

“Authority” means the Santa Cruz Libraries Facilities Financing Authority.

"Board" means the Board of Directors of the Authority, acting as the legislative body of CFD No. 2016-1.

"CFD Administrator" means an official of the Authority, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes.

"CFD No. 2016-1" means Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1.

"CFD No. 2016-1 Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the Authority for CFD No. 2016-1 under the Act.

“Commercial Property” means all Assessor’s Parcels of Developed Property used for hotels, stores, shopping centers, offices, restaurants, banks, nurseries, manufacturing, warehousing, food/mineral processing and industry. Typical County Use Codes include: 070, 071, 072, 074, 080, 083, 085, 116, 120, 121, 122, 123, 131, 140, 150, 151, 152, 153, 160, 161, 170, 171, 172, 173, 180, 181, 182, 183, 184, 185, 190, 191, 192, 200, 201, 202, 210, 211, 220, 221, 222, 223, 230, 231, 232, 250, 251, 260, 261, 262, 310, 320, 321, 322, 323, 330, 331, 340, 341, 342, 343, 344, 345, 350, 351, 352, 353, 354, 360, and 361.

"County" means the County of Santa Cruz.

"Developed Property" means for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property, for which the County has assigned a Use Code indicating residential, commercial, agricultural, or recreational use which are not vacant. Agricultural property used for farming is considered Developed Property even if there is no structure on the property.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

“Homeowner’s Exemption” means the \$7,000 assessed value exemption granted for Assessor’s Parcels owned and occupied by an owner as their principal residence.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2016-1 Bonds are issued, as modified, amended and/or supplemented from time to time.

"Maximum Special Tax" means the Maximum Special Tax determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Multi Family Residential Property” means all Assessor’s Parcels of Developed Property with one or more residential structures intended for more than one dwelling unit. Multi Family Residential also includes mobiles homes, condos and townhomes. Typical County Use Codes include: 021, 025, 027, 030, 032, 033, 034, 041, 042, 043, 044, 045, 046, 100, 101, 103, and 104.

"Outstanding Bonds" means all CFD No. 2016-1 Bonds which are outstanding under an Indenture.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property respectively. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section C below.

"Public Property" means property within the boundaries of CFD No. 2016-1 owned by, irrevocably offered or dedicated to, or for which an easement for purposes of public right-of-way has been granted to the federal government, the State, the County, the Authority, or any local government or

other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified as Taxable Property, taxed, and classified according to its use.

“Recreational Property” means all Assessor’s Parcels of Developed Property used for amusements, sports activities, clubs, camps and conference facilities. Typical County Use Codes include: 600, 601, 602, 603, 610, 611, 612, 613, 614, 615, 620, 621, 622, 631, and 633.

“Single Family Residential Property” means all Assessor’s Parcels of Developed Property with a residential structure intended for a single dwelling unit. Typical County Use Codes include: 016, 020, 023, 024, 026, 028, 029, 031, 060, 061, 062, 063, 064, 065, 067, and 068.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within CFD No. 2016-1 to fund the Special Tax Requirement.

“Special Tax Requirement ” means that amount required in any Fiscal Year for CFD No. 2016-1 to: (i) pay debt service on all Outstanding Bonds which is due in the calendar year that commences in such Fiscal Year; (ii) pay periodic costs on the CFD No. 2016-1 Bonds, including but not limited to, rebate payments on the CFD No. 2016-1 Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of CFD No. 2016-1 facilities eligible to be funded by CFD No. 2016-1 under the Act; (vi) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year; (vii) pay for the accumulation of funds reasonably required for future debt service; (viii) pay lease payments for existing or future facilities; (ix) pay costs associated with the release of funds from an escrow account; less (x) a credit for funds available, if any, to reduce the annual Special Tax levy, as determined by the CFD Administrator.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2016-1 which are not exempt from the Special Tax pursuant to law or Section E below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E below.

“Trustee” means the trustee or fiscal agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Taxable Public Property. Typical County Use Codes include: 010, 011, 015, 040, 050, 051, 052, 053, 054, 055, 056, 057, 058, 059, 05A, 05B, 05C, 05D, 05E, 05F, 05G, 05H, 090, 091, 092, 093, 110, 115, 116, 300, 301, 500, 501, 505, 510, 511, 515, 520, 521, 525, 530, 531, 535, 540, 541, and 545.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor’s Parcels of Taxable Property within CFD No. 2016-1 shall be classified as Developed Property, Taxable Public Property, or Undeveloped Property, and all Assessor’s Parcels of Developed Property and Taxable Public Property shall be assigned to a Property Type in accordance with Table 1 below and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

C. MAXIMUM SPECIAL TAX

a. Developed Property and Taxable Public Property

(1). Maximum Special Tax

The Maximum Special Tax that may be levied in any Fiscal Year for each Assessor's Parcel is shown in Table 1.

TABLE 1

**Maximum Special Tax for Developed Property
in CFD No. 2016-1 in any Fiscal Year**

Property Type	Per	Maximum Special Tax
Single Family Residential	Unit	\$49.50
Multi Family Residential	Unit	49.50
Agricultural	Parcel	86.00
Commercial	Parcel	86.00
Recreational	Parcel	86.00

(2). Multiple Property Types

In some instances, an Assessor's Parcel of Developed Property may contain more than one property type/use. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for all property uses located on that Assessor's Parcel.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2016/17 and for each following Fiscal Year, the Board or its designee shall determine the Special Tax Requirement and shall levy the Special Tax until the total Special Tax levy equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

Step 1: The Special Tax shall be levied on each Assessor's Parcel of Developed Property, Proportionately, up to 100% of the Maximum Special Tax to satisfy the Special Tax Requirement.

Notwithstanding the above the Board may, in any Fiscal year, levy Proportionately less than 100% of the Maximum Special Tax in step one (above), when (i) the Board is no longer required to levy the Special Tax at 100% in order to meet the Special Tax Requirement, and (ii) all authorized CFD No. 2016-1 Bonds have already been issued or the Board has covenanted that it will not issue any additional CFD No. 2016-1 Bonds (except refunding Bonds) to be supported by the Special Tax.

Further, notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2016-1.

E. EXEMPTIONS

No Special Tax shall be levied on Public Property and Undeveloped Property. However, should an Assessor's Parcel no longer be classified as Public Property or Undeveloped Property its tax-exempt status will be revoked. In the case of Public Property and pursuant to Section 53317.3 of the Act, if property not otherwise exempt from the Special Tax levied pursuant to this chapter is acquired by a public entity through a negotiated transaction, or by gift or devise, the special tax shall, notwithstanding Section 53340, continue to be levied on the property acquired and shall be enforceable against the public entity that acquired the property. However, the public agency that acquires the property may prepay and satisfy the obligation to pay the tax pursuant to Section H below.

Taxable Public Property shall be subject to the levy of the Special Tax, assigned to a Property Type in accordance with the use of the property, and shall be taxed Proportionately as part of the first step in Section D above, at up to 100% of the applicable Maximum Special Tax.

F. APPEALS AND INTERPRETATIONS

Any property owner may file a written appeal of the Special Tax with the CFD Administrator claiming that the amount or application of the Special Tax is not correct. The appeal must be filed not later than the June 30th of the Fiscal Year in which the Special Tax is due and the appellant must be current in all payments of Special Taxes. In addition, during the term of the appeal process, all Special Taxes levied must be paid on or before the payment date established when the levy was made.

The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination.

If the property owner disagrees with the CFD Administrator's decision relative to the appeal, the owner may then file a written appeal with the Board whose subsequent decision shall be final and binding on all interested parties. If the decision of the CFD Administrator or subsequent decision by the Board requires the Special Tax to be modified or changed in favor of the property owner, no cash refund shall be made for prior years' Special Taxes, but an adjustment shall be made to credit future Special Tax levy (ies).

This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to filing any legal action by such owner.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2016-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The following definition applies to this Section H:

"**CFD Public Facilities**" means either \$78,100,000 in 2016 dollars, which shall increase by the Construction Inflation Index on July 1, 2017, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2016-1 under the authorized bonding program for CFD No. 2016-1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more CFD No. 2016-1 Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible to be funded by CFD No. 2016-1 under the Act.

"Construction Inflation Index" means the annual percentage change in the April to April Engineering News-Record Building Cost Index for San Francisco, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the April to April Engineering News-Record Building Cost Index for San Francisco.

"Future Facilities Costs" means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all CFD No. 2016-1 Bonds that have been issued by CFD No. 2016-1 prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made after at least one series of CFD No. 2016-1 Bonds has been issued and only for Assessor's Parcels of Developed Property or Undeveloped Property for which a Final Subdivision has been recorded prior to January 1 of the prior Fiscal Year, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a fee for providing this service. Prepayment in any six month period must be made not less than 45 days prior to the next occurring date that notice of redemption of CFD No. 2016-1 Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Special Tax Prepayment Amount (defined below) shall be calculated by the CFD Administrator as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

2. For Assessor's Parcels of Developed Property, compute the Maximum Special Tax applicable for the Assessor's Parcel to be prepaid.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Tax for CFD No. 2016-1 based on the Developed Property Special Tax which could be charged in the current Fiscal Year, excluding any Assessor's Parcels which have been prepaid, and
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Add the amounts computed pursuant to paragraphs 8 and 9 to determine the "Defeasance Amount".
11. Verify the administrative fees and expenses of CFD No. 2016-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No.2016-1 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement on the prepayment date or the redemption date.
13. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10 and 11, less the amount computed pursuant to paragraph 12 (the "Prepayment Amount").
14. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 10 and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2016-1.

The Special Tax Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 2016-1 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2016-1 Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Tax that may be levied on Taxable Property within CFD No. 2016-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding CFD No. 2016-1 Bonds.

2. Prepayment in Part

The Special Tax may be partially prepaid, provided that a partial prepayment may be made after at least one series of CFD No. 2016-1 Bonds has been issued and only for Assessor's Parcels of Developed Property, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of partial prepayment. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated by the CFD Administrator according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the partial prepayment
P_E = the Special Tax Prepayment Amount calculated according to Section H.1
F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The Special Tax partial prepayment amount must be sufficient to redeem at least a \$5,000 increment of Bonds.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the prepayment funds remitted according to Section H.1, and (ii) indicate in the records of CFD No. 2016-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed 30 years commencing with Fiscal Year 2016/17.

APPENDIX D

ECONOMIC PROFILE FOR THE COUNTY OF SANTA CRUZ

The following information relating to the County of Santa Cruz is supplied solely for the purposes of background information. The County is not obligated in any manner to pay principal of or interest on the 2020 Bonds or to cure any delinquency or default on the 2020 Bonds. The 2020 Bonds are payable solely from the sources described in the Official Statement.

General Information

The County is situated at the northern tip of Monterey Bay, 65 miles south of San Francisco, 35 miles north of Monterey, and 35 miles south of the Silicon Valley. The County is the gateway to the Monterey Bay National Marine Sanctuary, has 29 miles of beaches and includes seven state parks and seven state beaches. It is the second smallest county in California in land area, containing a total of 440 square miles. There are four incorporated cities in the County of Santa Cruz: Capitola, Santa Cruz, Scotts Valley and Watsonville. The City of Santa Cruz was incorporated as a city in 1866. It is the county seat of the County and is the location of the Santa Cruz campus of the University of California. The City of Watsonville, established in 1868, lies 18 miles southeast of the City of Santa Cruz. The City of Watsonville is the center of the County's agriculture region transporting fresh and processed farm crops to worldwide destinations. The City of Capitola stretches along the coast east and south of the City of Santa Cruz. It was incorporated in 1949 and is a tourist destination. The City of Scotts Valley, incorporated in 1966, lies north of the City of Santa Cruz and includes community commercial areas serving local residents and a mix of industrial sites that have supported light manufacturing and research development firms predominantly in the electronics and technology industries.

General Demographic Information

Approximately 51.4% of the County's population lives in the County's four incorporated cities.

**TABLE NO. D-1
COUNTY OF SANTA CRUZ
CHANGE IN POPULATION
INCORPORATED CITIES AND UNINCORPORATED COMMUNITIES
2012 – 2016**

January 1 <u>Year</u>	<u>Incorporated Cities</u>		<u>Unincorporated Communities</u>		<u>Santa Cruz County</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
2015	139,742		134,529		274,271	
2016	141,121	1.0%	134,841	0.2%	275,962	0.6%
2017	141,635	0.4	134,861	0.0	276,496	0.2
2018	141,509	(0.1)	134,562	(0.2)	276,071	(0.2)
2019	141,150	(0.3)	133,721	(0.6)	274,871	(0.4)
% Increase Between						
2015 - 2019		1.0%		(0.6)%		0.2%

Source: *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2011-2019, with 2010 Census Benchmark,"* Sacramento, California, May 2019.

Principal Employers

The principal employers operating within the County during the Fiscal Year ended June 30, 2019 are as follows:

**TABLE NO. D-2
COUNTY OF SANTA CRUZ
PRINCIPAL EMPLOYERS
FISCAL YEAR 2018-19**

<u>Name of Company</u>	<u>Number of Employees ⁽¹⁾</u>	<u>Product/Service</u>
University of California at Santa Cruz	1,000-4,999	Education
Pajaro Valley Unified School District	1,000-4,999	Education
County of Santa Cruz	1,000-4,999	County Services
Dominican Hospital	1,000-4,999	Hospital
Santa Cruz Beach Boardwalk	1,000-4,999	Amusement/Recreation
Granite Rock	500-999	Excavating Contractors
Poly Inc. (formerly Plantronics)	500-999	Telephone Apparatus Manufacturer
Watsonville Community Hospital	500-999	Hospital
Source Naturals	500-999	Vitamin Manufacturer
Santa Cruz Health Center	500-999	Clinics
Monterey Mushrooms	500-999	Agriculture
Larse Farms Inc.	500-999	Agriculture

⁽¹⁾ Number of Employees reflects an average range based on California Employment Development Department data.

Source: County of Santa Cruz Comprehensive Annual Financial Report.

Per Capita Personal Income

Per capita personal income information for the County, the State of California and the United States are summarized in the following table.

TABLE NO. D-3
PER CAPITA PERSONAL INCOME ⁽¹⁾
COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA AND UNITED STATES
2014 – 2018

<u>Year</u>	<u>County of Santa Cruz</u>	<u>State of California</u>	<u>United States</u>
2014	\$56,549	\$52,324	\$47,058
2015	59,727	55,758	48,978
2016	61,166	57,739	49,870
2017	64,901	60,156	51,885
2018	69,355	63,557	54,446

⁽¹⁾ Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2014-2018 reflect county population estimates available as of March 2019.

Note: All dollar estimates are in thousands of current dollars (not adjusted for inflation); As of: November 14, 2019; revised statistics prior to 2018.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Taxable transactions by type of business for the County are summarized below for 2015 through 2018 (the most recent year for which full-year statistics are available).

TABLE NO. D-4
COUNTY OF SANTA CRUZ
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in thousands)
2015 – 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<i>Retail and Food Services</i>				
Motor Vehicle and Parts Dealers	\$ 338,889	\$ 363,611	\$ 418,067	\$ 405,998
Home Furnishings and Appliance Stores	128,227	133,739	125,457	124,384
Building Material, Garden Supplies	317,172	328,079	339,204	354,089
Food and Beverage Stores	266,895	272,991	279,790	280,333
Gasoline Stations	298,443	258,806	271,646	306,079
Clothing and Accessories Stores	172,394	173,060	170,860	172,500
General Merchandise	270,009	264,938	274,335	282,791
Food Services and Drinking Places	492,851	514,961	539,013	552,857
Other Retail Group	<u>430,276</u>	<u>451,238</u>	<u>472,148</u>	<u>498,235</u>
Total Retail and Food Services	2,715,156	2,761,423	2,890,520	2,977,266
All Other Outlets	<u>867,653</u>	<u>886,971</u>	<u>921,570</u>	<u>901,585</u>
Total All Outlets	<u>\$3,582,809</u>	<u>\$3,648,394</u>	<u>\$3,812,090</u>	<u>\$3,878,851</u>

Note: Detail may not compute to total due to rounding.

Source: California Department of Tax and Fee Administration, "Taxable Sales - Counties by Type of Business."

Industry

Santa Cruz County is located in the Santa Cruz-Watsonville Metropolitan Statistical Area (“MSA”). The October 2019 unemployment rate in the Santa Cruz-Watsonville MSA was 3.3% (not seasonally adjusted to account for agricultural employment). The State of California October 2019 unemployment rate (unadjusted) was 3.7%. The employment in the Santa Cruz-Watsonville MSA is presented in the following table.

TABLE NO. D-5
SANTA CRUZ-WATSONVILLE MSA
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾
(in thousands)

<u>Industry</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Government	21.8	22.3	22.6	23.0	23.3
Other Services	4.6	4.6	5.0	5.3	5.5
Leisure and Hospitality	13.6	13.8	14.1	14.3	14.2
Educational and Health Services	17.4	17.5	18.0	17.9	17.9
Professional and Business Services	9.8	9.8	10.1	10.3	10.9
Financial Activities	3.6	3.5	3.5	3.6	3.6
Information	0.8	0.8	0.7	0.6	0.6
Transportation, Warehousing and Utilities	1.5	1.6	1.6	1.6	1.7
Service Producing					
Retail Trade	12.2	12.4	12.2	12.0	12.2
Wholesale Trade	3.5	3.4	3.4	3.5	3.4
Manufacturing					
Nondurable Goods	3.5	3.3	3.4	3.6	3.7
Durable Goods	3.6	3.6	3.8	4.1	4.1
Goods Producing					
Mining, Logging and Construction	<u>3.9</u>	<u>4.7</u>	<u>4.6</u>	<u>4.6</u>	<u>4.7</u>
Total Nonfarm	99.8	101.3	103.0	104.4	105.8
Farm	<u>10.5</u>	<u>10.7</u>	<u>10.0</u>	<u>10.4</u>	<u>10.4</u>
Total (all industries)	<u>110.3</u>	<u>112.0</u>	<u>113.0</u>	<u>114.8</u>	<u>116.2</u>

⁽¹⁾ Annually, as of October.

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division, “*Industry Employment & Labor Force - by month, March 2018 Benchmark.*”

As of October 2019 the civilian labor force for the County was approximately 144,300 of whom 139,400 were employed. The unadjusted unemployment rate as of October 2019 was 3.3% for the County. Civilian labor force, employment and unemployment statistics for the County, the State and the United States, for the years 2014 through 2018 are shown in the following table:

**TABLE NO. D-6
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES**

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2014</u>				
Santa Cruz County	142,300	129,900	12,400	8.7%
California	18,714,700	17,310,900	1,403,800	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<u>2015</u>				
Santa Cruz County	143,300	132,600	10,700	7.5
California	18,851,100	17,681,800	1,169,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
<u>2016</u>				
Santa Cruz County	143,900	133,900	10,000	7.0
California	19,044,500	18,002,800	1,041,700	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<u>2017</u>				
Santa Cruz County	142,900	134,800	8,100	5.7
California	19,205,300	18,285,500	919,800	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
Santa Cruz County	142,600	135,600	7,000	4.9
California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$18,345,000*

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1 2020 SPECIAL TAX PARITY BONDS

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated as of March 12, 2020, is executed and delivered by the Santa Cruz Libraries Facilities Financing Authority (the “Authority”), acting on behalf of its Community Facilities District No. 2016-1 (the “District”), in connection with the above-referenced bonds (the “2020 Bonds”).

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the 2020 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2020 Bond (including persons holding any 2020 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2020 Bond for federal income tax purposes.

“*Disclosure Representative*” means the Treasurer-Controller of the Authority, or such person’s designee, or such other officer or employee of the Authority as the Authority shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” means Harrell & Company Advisors, LLC., or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

“*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 final official statement executed by the Authority in connection with the issuance of the 2020 Bonds.

* Preliminary, subject to change.

“*Participating Underwriter*” means, the original underwriter of the 2020 Bonds required to comply with the Rule in connection with offering of the 2020 Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The Authority shall, or shall cause the Dissemination Agent to, not later than the February 28 occurring after the end of each fiscal year of the Authority, commencing with the report for the 2019-20 fiscal year, which is due not later than February 28, 2021, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 Certificate; provided that any audited financial statements of the Authority 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.

(b) *Change of Fiscal Year.* If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than six months after the end of such new fiscal year end

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than 5 Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b) of this Section 3 for providing the Annual Report to EMMA), the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Authority.

(d) *Report of Non-Compliance.* If the Authority is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the Authority shall in a timely manner send a notice to EMMA in an electronic format prescribed by the MSRB. If the Authority is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in a timely manner in an electronic format prescribed by the MSRB.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Authority’s Annual Report shall contain or incorporate by reference the following:

(a) (a) *Financial Statements.* Audited financial statements of the Authority for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* The Annual Report for each fiscal year shall also include the following information:

- (i) The principal amount of Bonds and any Parity Bonds Outstanding as of the September 30 next preceding the date of the Annual Report.
- (ii) The amount available to be drawn on the 2017 Reserve Policy, the amount available to be drawn on the 2020 Reserve Policy and the amount to be drawn on any Qualified Reserve Fund Credit Instrument or other funds held in the Reserve Fund in connection with any Parity Bonds, and a statement of the Reserve Requirement for the 2017 Bonds, the 2020 Bonds and for any Parity Bonds, in each case, as of the September 30 next preceding the date of the Annual Report.
- (iii) An update to Table No. 1 in the Official Statement using the then current year's Special Tax Levy.
- (iv) An update to Table No. 3 in the Official Statement using the then current year's Special Tax Levy.
- (v) An update to Table No. 6 in the Official Statement using the most recently available County assessed values.
- (vi) A statement as to whether or not the Special Taxes are collected under the Teeter Plan (as described in the Official Statement); and if not, the percentage of the Special Tax levy for the most recent Fiscal Year that was delinquent as of a date not more than 45 days prior to the date of the Annual Report.
- (vii) The most recent annual information required to be provided to the California Debt and Investment Advisory Commission pursuant to Section 5.11(B) of the Fiscal Agent Agreement.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which are available to the public on EMMA. The Authority shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Authority 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.

Section 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2020 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) 2020 Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Authority or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Authority or an obligated person, or the sale of all or substantially all of the assets of the Authority or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

(b) The Authority shall, or shall cause the Dissemination Agent (if not the Authority) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2020 Bonds under the Fiscal Agent Agreement.

(c) The Authority acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a 2020 Bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the 2020 Bonds. The Authority shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the Authority obtains knowledge of the occurrence of any of these Listed Events, the Authority will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Authority will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States 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 Authority, or if such jurisdiction has been assumed by leaving the existing governing 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 Authority.

(e) The term financial obligation means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (e)(1) or (e)(2). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2020 Bonds.

Section 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Harrell & Company Advisors, LLC. Any Dissemination Agent may resign by providing 30 days' written notice to the Authority.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the Dissemination Agent shall not be obligated to enter into any amendment increasing or affected its duties or obligations and further provided that the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2020 Bonds, or type of business conducted;

(b) *Compliance as of Issue Date.* The undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2020 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion.* The proposed amendment or waiver either (i) is approved by holders of the 2020 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2020 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the Authority 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 Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Authority fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2020 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Authority hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Authority, the 2020 Bond holders or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2020 Bonds.

(b) The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 2020 Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2020

SANTA CRUZ LIBRARIES FACILITIES FINANCING
AUTHORITY

By: _____
Edith Driscoll,
Treasurer-Controller

AGREED AND ACCEPTED:
HARRELL & COMPANY ADVISORS, LLC,
as Dissemination Agent

By: _____

APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2020 Bonds, payment of principal, interest and other payments on the 2020 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2020 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC 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 the DTC Participants, as the case may be.

Neither the issuer of the 2020 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2020 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2020 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2020 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2020 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of

AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or

Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



**CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.**

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By _____
Authorized Officer