Chair	Martin Bernal
Vice Chair	Jenny Haruyama
Board Member	Susan Mauriello
Board Member	Jamie Goldstein

SANTA CRUZ PUBLIC LIBRARIES

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA)

REGULAR BOARD MEETING

THURSDAY, MAY 4, 2017; 9:00 A.M.

DOWNTOWN BRANCH MEETING ROOM
224 CHURCH STREET, SANTA CRUZ, CA 95060

1. **CALL TO ORDER / ROLL CALL**

   Board Members Jamie Goldstein, Jenny Haruyama, Susan Mauriello, and Chair Martin Bernal

2. **ADDITIONAL MATERIALS**

   Additional information submitted after distribution of the agenda packet.

3. **ADDITIONS AND DELETIONS TO AGENDA**

4. **ORAL COMMUNICATION**

   Any member of the audience may address the Board on any matter either on or off the agenda that is within the Board's jurisdiction. Note, however, that the Board is not able to undertake extended discussion or act on non-agendized items. Such items can be referred to staff for appropriate action which may include placement on a future agenda. If you intend to address a subject that is on the Agenda, please hold your comments regarding that item until it is before the Board, so that we may properly respond to all comments on that subject at the same time. In general 3 minutes will be permitted per speaker during Oral Communication; A MAXIMUM of 30 MINUTES is set aside for Oral Communications at this time.

5. **EXECUTIVE DIRECTOR REPORT**

   A. Report of Executive Director

6. **PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS**

7. **CONSENT CALENDAR**

   A. Approve Minutes of the March 2, 2017 Board Meeting
   RECOMMENDED ACTION: Approve Minutes (PG.3-5)

   B. Updated Bond Expenditure Plan
   RECOMMENDED ACTION: Receive Updated Bond Expenditure Plan, 2nd series. (PG.6-7)

   C. Financing Schedule – 2017 Special Tax Bonds
   RECOMMENDED ACTION: Receive Financing Schedule 2017 Special Tax Bonds (PG.8-9)

All items listed in the "Consent Calendar" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes on the action unless members of the public or the Board request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Business.

8. GENERAL BUSINESS

A. Special Tax Bonds for Phase 1 Funding of Library Facilities
RECOMMENDED ACTION: Approval of Special Tax Bonds for Phase 1 Funding of Library Facilities (PG.10-155)

Other Business items are intended to provide an opportunity for public discussion of each item listed. The following procedure is followed for each Business item: 1) Staff explanation; 2) Board questions; 3) Public comment; 4) Board deliberation; 5) Decision.

9. SCHEDULED UPCOMING MEETINGS

June 1, 2017	**Boulder Creek Branch Library**	**Agenda Items:**
at 6:00 pm	**13390 West Park Ave.**	
	Boulder Creek, CA 95006	

10. ADJOURNMENT

Adjourned to a Regular Meeting of the Libraries Facilities Financing Authority (LFFA) to be held on Thursday June 1, 2017 at 6:00 p.m. at the Boulder Creek Branch Meeting Room located at 13390 West Park Ave., Boulder Creek, CA 95006.

The Santa Cruz City-County Library System does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, we ask that you attend fragrance free. Upon request, the agenda can be provided in a format to accommodate special needs. Additionally, if you wish to attend this public meeting and will require assistance such as an interpreter for American Sign Language, Spanish, or other special equipment please call the Library Administration Office at (831)427-7706 at least five days in advance so that we can arrange for such special assistance, or email library_admin@santacruzpl.org.

SANTA CRUZ PUBLIC LIBRARIES
A CITY-COUNTY SYSTEM

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA)

REGULAR MEETING MINUTES
THURSDAY, MARCH 2, 2017
6:00 P.M.

1. **ROLL CALL**

PRESENT: Chair Martin Bernal, Vice Chair Jenny Haruyama, Susan Mauriello (Board Member), Jamie Goldstein (Board Member)
STAFF: Library Director Susan Nemitz

2. **ADDITIONAL MATERIALS**

None

3. **ADDITIONS AND DELETIONS TO AGENDA**

The Agenda of March 2, 2017 was approved by consensus.

4. **ORAL COMMUNICATIONS**

None

5. **EXECUTIVE DIRECTOR REPORT**

None

6. **PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS**

Jamie Goldstein reported that a Capitola Community Meeting is planned for March 8.

7. **CONSENT CALENDAR**

A. Approve Minutes of the January 12, 2017 Board Meeting

RESULT:	**APPROVED MINUTES OF JANUARY 12, 2017 [UNANIMOUS]**
MOVER:	**Susan Mauriello (Board Member)**
SECONDER:	**Jenny Haruyama (Vice Chair)**
AYES:	**Bernal, Goldstein, Mauriello, Haruyama**

8. GENERAL BUSINESS

A. Adopt resolution establishing Times and Dates for Regular Meetings

RESULT:	**ADOPTED RESOLUTION #2017-001 ESTABLISHING TIMES AND DATES FOR REGULAR MEETINGS [UNANIMOUS]**
MOVER:	**Susan Mauriello (Board Member)**
SECONDER:	**Jamie Goldstein (Board Member)**
AYES:	**Bernal, Haruyama, Mauriello, Goldstein**

B. Accept and file Report on Initial Tax Receipts and Distribution

RESULT:	**ACCEPTED REPORT ON INITIAL TAX RECEIPTS AND DISTRIBUTIONS [UNANIMOUS]**
MOVER:	**Jamie Goldstein (Board Member)**
SECONDER:	**Susan Mauriello (Board Member)**
AYES:	**Bernal, Haruyama, Mauriello, Goldstein**

C. Approve Bond Expenditure Plan

RESULT:	**APPROVED THE BOND EXPENDITURE PLAN [UNANIMOUS]**
MOVER:	**Jamie Goldstein (Board Member)**
SECONDER:	**Susan Mauriello (Board Member)**
AYES:	**Bernal, Haruyama, Mauriello, Goldstein**

D. Approve Debt Management Policy

RESULT:	**APPROVED THE DEBT MANAGEMENT POLICY [UNANIMOUS]**
MOVER:	**Susan Mauriello (Board Member)**
SECONDER:	**Jamie Goldstein (Board Member)**
AYES:	**Bernal, Haruyama, Mauriello, Goldstein**

E. Approve Reimbursement for Administrative Costs

RESULT:	**APPROVED REIMBURSEMENT FOR ADMINISTRATIVE COSTS [UNANIMOUS]**
MOVER:	**Susan Mauriello (Board Member)**
SECONDER:	**Jamie Goldstein (Board Member)**
AYES:	**Bernal, Haruyama, Mauriello, Goldstein**

9. ADJOURNMENT

The Libraries Facilities Financing Authority (LFFA) adjourned at 6:16 p.m. to the Regular Meeting on Thursday, April 6, 2017 at 9:00 a.m. at the Downtown Branch Meeting Room located at 224 Church St., Santa Cruz, CA 96060.

ATTEST: ____________________________
Helga Smith, Clerk of the Board

All documents referred to in these minutes are available in the Santa Cruz Public Libraries – Library Headquarters Office, 117 Union Street, Santa Cruz.

SANTA CRUZ
PUBLIC LIBRARIES

STAFF REPORT

DATE: May 4, 2017

TO: LFFA Board of Directors

FROM: Susan Nemitz, Library Director

RE: Updated Bond Expenditure Plan – 2nd Series

RECOMMENDATION

Receive updated Bond Expenditure Plan – 2nd series

DISCUSSION

The Santa Cruz Libraries Facilities Financing Authority Community Facilities District (CFD) began levying the special tax in 2016-17. The first phase of Special Tax Bonds, based on the needs of the members, was anticipated to be issued in early 2017-18. Staff has begun preparing for the first issuance.

Prepared by:
Suzanne Harrell
LFFA Financial Advisor

Approved by:
Susan Nemitz
LFFA Executive Director

Attachment:

LFFA Funding Scenario

LFFA FUNDING SCENARIO : PHASE 1 BONDS IN JUNE 2017; PHASE II BONDS IN JUNE 2018

Tax Roll	Maximum Special Tax	Administrative Costs	Net Tax	Bond Admin Fees	Debt Service* Phase I @3.7%	Debt Service* Phase II at 4.75%	Balance for Pay-As-You-Go	Annual Distribution County	Annual Distribution Santa Cruz	Annual Distribution Scotts Valley	Annual Distribution Capitola	Bond Proceeds County	Bond Proceeds Santa Cruz	Bond Proceeds Scotts Valley	Bond Proceeds Capitola	Total $62,000,000 County 41.94%	Total $62,000,000 Santa Cruz 40.32%	Total $62,000,000 Scotts Valley 4.84%	Total $62,000,000 Capitola 12.90%
1 2016-17	4,400,000	(500,000)	3,900,000			-	3,900,000	1,635,660	1,572,480	188,760	503,100	-	-	-	-	1,635,660	1,572,480	188,760	503,100
								41.94%	40.32%	4.84%	12.90%								
2 2017-18	4,400,000	(100,000)	4,300,000	(11,500)	(1,420,000)	-	2,868,500	932,688	1,700,521	174,881	60,410	13,100,000	500,000	500,000	7,436,490	14,032,688	2,200,521	674,881	7,496,900
					Proceeds $21.53M			32.51%	59.28%	6.10%	2.11%	60.827%	2.322%	2.322%	34.530%				
3 2018-19	4,400,000	(105,000)	4,295,000	(22,000)	(1,420,000)	(2,340,000)	513,000	278,194	209,717	25,089	-	10,053,458	21,017,282	2,111,271	-	10,331,652	21,226,999	2,136,360	-
						Proceeds $33.18M		54.23%	40.88%	4.89%	0.00%	30.300%	63.339%	6.363%	0.000%				
4 2019-20	4,400,000	(110,000)	4,290,000	(22,000)	(1,420,000)	(2,340,000)	508,000	-	-	-	-					-	-	-	-
								0.00%	0.00%	0.00%	0.00%								
5 2020-21	4,400,000	(115,000)	4,285,000	(22,000)	(1,420,000)	(2,340,000)	503,000	-	-	-	-					-	-	-	-
								0.00%	0.00%	0.00%	0.00%								
6 2021-22	4,400,000	(120,000)	4,280,000	(22,000)	(1,420,000)	(2,340,000)	498,000	-	-	-	-					-	-	-	-
								0.00%	0.00%	0.00%	0.00%								
								2,846,543	3,482,720	388,729	563,510	23,153,459	21,517,283	2,611,271	7,436,490	26,000,000	25,000,000	3,000,000	8,000,000

* This is the March 1 and September 1 payment that would be paid from the FY taxes received

3.7% = Current AA market conditions on Feb 16, 2017 + 20 bp Contingency

SANTA CRUZ
PUBLIC LIBRARIES

STAFF REPORT

DATE: May 4, 2017

TO: LFFA Board of Directors

FROM: Susan Nemitz, Library Director

RE: Financing Schedule 2017 Special Tax Bonds

RECOMMENDATION

Receive Financing Schedule 2017 Special Tax Bonds

DISCUSSION

Prepared by:
Suzanne Harrell
LFFA Financial Advisor

Approved by:
Susan Nemitz
LFFA Executive Director

Attachment:

Financing Schedule February through June 2017

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1
2017 SPECIAL TAX BONDS

FINANCING SCHEDULE

Scheduled to be Completed	Date to Complete
Members finalize bond funding requested amount	February 17
Authority approves Bond Expenditure Plan (First Series)	March 2
Authority adopts Resolution setting Regular Meetings	March 2
Authority adopts Debt Policy	March 2
Municipal Advisor distributes draft Preliminary Official Statement	April 3
Bond Counsel distributes draft Legal Documents/Resolutions	April 5
Initial comments due on draft Preliminary Official Statement	April 10
Municipal Advisor and Bond Counsel distribute revised Financing Documents	April 10
Submit Documents to Rating Agency/Bond Insurer	April 11
Comments due on Financing Documents	April 18
Agenda Deadline	April 19
Staff Reports due to Staff for review	April 24
Secretary publishes Notice of Public Hearing	By April 28
Receive Rating/Bond Insurance	May 1
Final Comments received on Preliminary Official Statement	May 2
Authority holds Public Hearing	May 4
Authority approves Financing Documents	May 4
Post Preliminary Official Statement on-line	May 5
Authority signs Purchase Contract	May 16
Municipal Advisor delivers Final Official Statement to Printer	May 23
Bond Counsel distributes Closing Documents	May 25
Bond Closing	June 6

SANTA CRUZ
PUBLIC LIBRARIES

STAFF REPORT

AGENDA: May 4, 2017

DATE: April 26, 2017

TO: Board of Directors

FROM: LFFA Executive Director

SUBJECT: Approval of Special Tax Bonds for Phase 1 Funding of Library Facilities

RECOMMENDATION

Adopt Resolution authorizing the issuance of the Authority's 2017 Special Tax Bonds in a principal amount not to exceed $24,000,000 and approving certain documents and taking certain other actions in connection therewith

DISCUSSION

The Santa Cruz Libraries Facilities Financing Authority Community Facilities District (CFD), was formed for the purpose of levying a special tax to fund Library Facilities of each of the members. The CFD began levying the special tax in 2016-17. The LFFA Financial Advisor developed a funding template that provided for a combination of tax revenue and special tax bond proceeds sufficient to meet the Library Facilities construction financing needs of each member, while raising the bond proceeds as cost efficiently as possible.

Each member will get their share of annual net special tax revenues as a funding source. In addition, the specific information that was received from the members as to timing and requirements for bond proceeds are as follows:

Member	First Series	Second Series	Total
County of Santa Cruz	$13,100,000	Balance**	$26,000,000
City of Scotts Valley	500,000	Balance**	3,000,000
City of Capitola	Balance*	N/A	8,000,000
City of Santa Cruz	500,000	Balance**	25,000,000

* Total Requirement net of special taxes received to date
** Total Requirement less funding from First Series, net of special taxes received to date.

Using this funding scenario, two bond issues are estimated with the first series in June 2017 and the second series in June 2018. A third and final series may be possible if the City of Santa Cruz determines that their full funding is not needed by June 2018. This would allow for all bond issues to be completed within five years from the receipt of the first tax proceeds and provide time to plan and design projects since all proceeds from each sale of bonds must be spent within three years of such bond issue. Actual future bond issuance amount and timing will depend on requests from the members.

On March 2, 2017, the Board directed staff to prepare financing documents for the first bond issue. The proceeds from the Bonds are estimated to be used as follows:

Improvements – City of Capitola	$ 7,500,000
Improvements – City of Santa Cruz	500,000
Improvements – City of Scotts Valley	500,000
Improvements – County of Santa Cruz	13,100,000
Subtotal Improvements	$21,600,000
Debt Service Reserve Fund	1,065,000
Costs of Issuance *	385,000
Total Costs	$23,050,000

* Fees and expenses for professional services required for issuance of the bonds, and underwriter's fees.

Staff has submitted the bond issue to Standard & Poor's Rating Agency for a credit rating and to various bond insurance companies to insure the payment of the Bonds. Both of these actions will minimize the cost of the financing. The debt service reserve fund may be funded with a surety bond in lieu of a cash deposit, so the CFD would need to borrow less than it otherwise would if a surety bond is purchased. A surety bond is a separate insurance policy issued by bond insurers. A cost analysis will be prepared after the rating is assigned to determine cost effectiveness of bond insurance.

The Board acts as the governing body of the CFD. The Board has been presented with a resolution to authorize issuance of the first series of Special Tax Bonds. The resolution approves the following documents:

- Fiscal Agent Agreement between the Authority (on behalf of the CFD) and the Bank of New York Mellon Trust Company, N.A, acting as fiscal agent for the Bonds,
- Official Notice of Sale for the competitive sale of the Bonds, and
- Preliminary Official Statement for the Bonds

The resolution also authorizes the distribution of the Preliminary Official Statement to potential bidders, publication of a notice of intention to sell bonds in the Bond Buyer newspaper, and authorizes the Treasurer-Controller and Executive Director to execute documents in connection with the issuance of the Bonds within certain parameters. These parameters include a not-to-exceed principal amount of the Bonds of $24,000,000, and the true interest cost of the Bonds cannot exceed 5.0%.

The resolution authorizes execution of agreements with the Special Tax Consultant and Disclosure Counsel. Other services for the Bonds, such as the Municipal Advisor and Bond Counsel, were previously approved.

In order to complete the funding by the end of the Fiscal Year, the Bonds will be offered for sale during the week of May 22 and the bond proceeds should be available by June 15. Currently, the expected interest rate is 4.0% for the 28 year financing based on a stand-alone credit rating with no bond insurance. The final interest rate will not be established until the Bonds are sold later in May. The sale of the Bonds will be awarded to the bidder providing the lowest interest cost.

Prepared by:
Suzanne Harrell
LFFA Financial Advisor

Approved by:
Susan Nemitz
LFFA Executive Director

Attachments:

Resolution
Preliminary Official Statement
Fiscal Agent Agreement
Official Notice of Sale

RESOLUTION NO. 2017-____

RESOLUTION AUTHORIZING THE ISSUANCE OF THE AUTHORITY'S 2017 SPECIAL TAX BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED $24,000,000 AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
Community Facilities District No. 2016-1

WHEREAS, this Board (the "Board") of the Santa Cruz Libraries Facilities Financing Authority (the "Authority") has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of the Authority's Community Facilities District No. 2016-1 (the "District") under the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"); and

WHEREAS, pursuant to Resolutions adopted by the Board, as legislative body of the District, the special tax and bond propositions were submitted to the qualified electors within the District, and were approved by more than two-thirds of the qualified electors, being the registered voters within the District, at an election held on June 7, 2016, as a result of which, the District is authorized to issue bonds in one or more series, pursuant to the Act, in an aggregate principal amount not to exceed $67,000,000;

WHEREAS, the legislative body of the District has determined to issue the first series of bonds under the voter-approved authorization (the "Bonds"),and in accordance with Section 53360 of the Act, has determined that the Bonds shall be sold through a public sale in accordance with the terms of the Official Notice of Sale approved as to form by this legislative body herein; and

WHEREAS, the Board wishes at this time to authorize all proceedings relating to the issuance of the Bonds, and to approve the execution and delivery of all agreements and documents relating thereto.

NOW, THEREFORE, IT IS ORDERED, by the Board of the Santa Cruz Libraries Facilities Financing Authority, for and on behalf of its Community Facilities District No. 2016-1, as follows:

1. Recitals. Each of the above recitals is true and correct and is adopted by the Authority as the legislative body of the District.

2. Issuance of Bonds; Fiscal Agent Agreement. The issuance of the Bonds in a principal amount not to exceed $24,000,000, is hereby authorized. The legislative body of the District hereby determines that it is prudent in the management of its fiscal affairs to issue the Bonds. The Bonds shall mature on the dates and pay interest at the rates, and otherwise shall be governed by the terms and conditions set forth in the Fiscal Agent Agreement (the "Fiscal Agent Agreement") by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent"), the form of which is on file with the Secretary, and which is hereby approved. The Fiscal Agent Agreement shall be executed by the Chair of the Board, the Treasurer-Controller or the Executive Director (each an "Authorized Officer"), and attested by the Secretary, with such additions thereto and changes therein as the Authorized Officer executing the same deem necessary to enhance the security for the Bonds, to cure any ambiguity or defect therein if such addition or change does not materially alter the substance or content thereof, to insert the offering price(s), interest rate(s), selling compensation, principal amount per maturity, redemption dates and prices and such other related terms and provisions as limited by Section 5 hereof, or to conform any provisions therein to the final Official Statement approved under Section 6 below. Approval of such changes shall be conclusively evidenced by the execution and delivery of the Fiscal Agent Agreement by an Authorized Officer. Capitalized terms used in this Resolution which are not defined herein have the meanings assigned to them in the Fiscal Agent Agreement.

3. **Execution of Bonds**. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Treasurer-Controller of the Authority, and attested by the manual or facsimile signature of the Secretary.

4. **Covenants**. The covenants set forth in the Fiscal Agent Agreement to be executed in accordance with Section 2 above are hereby approved, shall be deemed to be covenants of the Board, in its capacity as the legislative body of the District, and shall be complied with by the Authority and its officers. The Fiscal Agent Agreement shall constitute a contract between the Authority and the owners of the Bonds.

5. **Sale of Bonds**. In accordance with Section 53360 of the Act, the Board hereby authorizes the sale of the Bonds through generally accepted electronic means to the highest bidder, after advertising for bids by publication of notice of sale pursuant to Government Code Section 53692; provided, however, that if no bids are received or if the Board determines that the bids received are not satisfactory as to price or responsibility of the bidders, the Board may reject all bids received, if any, and either readvertise or sell the bonds through a negotiated sale. The Bonds shall be offered at competitive sale in accordance with the Official Notice of Sale (the "Official Notice of Sale") in substantially the form on file with the Secretary together with any additions thereto or changes therein approved by an Authorized Officer, the distribution thereof to be conclusive evidence of such approval. The Board hereby delegates to the Authorized Officers the authority to accept an offer from an underwriter to purchase the Bonds from the Authority pursuant to the Notice of Sale; provided, however, that Bonds shall be awarded to an underwriter only if the principal amount of the Bonds does not to exceed $24,000,000, and the true interest cost with respect to the Bonds does not exceed 5.00%. Each Authorized Officer is authorized to determine the day on which the Bonds are to be priced in order to attempt to produce the lowest borrowing cost for the District and may reject any terms if determined not to be in the best interest of the Authority.

6. **Official Statement**. The Board hereby approves the Preliminary Official Statement describing the Bonds in substantially the form attached hereto, with such additions and such changes therein as an Authorized Officer may approve. The Board hereby approves and authorizes the distribution of the Preliminary Official Statement to prospective purchasers of the Bonds; and, prior to the distribution of the Preliminary Official Statement, any Authorized Officer is authorized and directed, on behalf of the Authority, to deem the Preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by an Authorized Officer upon consultation with Bond Counsel, and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the Bonds, and any Authorized Officer is authorized and directed to execute the final Official Statement for and on behalf of the Authority and to deliver to the underwriter of the Bonds a certificate with respect to the information set forth therein.

7. Property Valuation. In accordance with the requirements of Section 53345.8 of the Act, the Board hereby determines that the value of the real property in the District subject to the special tax to pay debt service on the Bonds is at least three times the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District. This determination is based on the County Assessor's most recently equalized property tax roll.

8. Approval of Special Tax Consultant and Disclosure Counsel. The Board hereby approves: (i) a Consultant Agreement between the Authority and NBS, engaging NBS as Special Tax Consultant to the Authority, and (ii) a Letter Agreement between the Authority and Quint & Thimmig LLP, engaging Quint & Thimmig LLP as Disclosure Counsel to the Authority.

9. Further Actions. The Authorized Officers and the other officers and staff of the Authority are hereby authorized and directed to take any actions and execute and deliver any and all documents (including a Continuing Disclosure Certificate) as are necessary to accomplish the issuance, sale and delivery of the Bonds in accordance with the provisions of this Resolution and the fulfillment of the purposes of the Bonds as described in the Fiscal Agent Agreement, including providing certificates to the Underwriter as to the accuracy of any information relating to the Authority and the District which is included within the Official Statement of the Authority. If any Authorized Officer is unavailable to sign any document authorized for execution herein, any deputy or written designee may sign such document. Any document authorized herein to be signed by the Secretary may be signed by a duly appointed deputy secretary.

10. Effective Date. This Resolution shall take effect upon its adoption.

Upon motion of Director ____________________, seconded by Director __________________________, and on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAINING:

the foregoing resolution is hereby adopted on May 4, 2017.

____
Board Chair

ATTEST:

____
Secretary

NEW ISSUE

BOOK-ENTRY ONLY

RATING:

S&P: ___

(See "CONCLUDING INFORMATION - Rating on the 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 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 imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$22,000,000*
SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1 2017 SPECIAL TAX 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 (the "District") 2017 Special Tax Bonds, (the "Bonds") are being issued by the Santa Cruz Libraries Facilities Financing Authority (the "Authority") for the District pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code), and a Fiscal Agent Agreement (the "Fiscal Agent Agreement"), dated as of June 1, 2017, between the Authority, on behalf of the District, and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent. The 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 certain taxable land within the District (less certain administrative expenses) and from certain other funds pledged under the Fiscal Agent Agreement, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the Board of Directors of the Authority and the qualified electors within the District. See "SECURITY FOR THE BONDS - Special Taxes." The Board of Directors of the Authority is the legislative body of the District.

The proceeds of the Bonds will be used to (1) construct or improve library facilities located within the District, (2) fund a reserve fund, and (3) pay costs of issuing the Bonds. See "SOURCES AND USES OF BOND PROCEEDS" herein.

Interest due with respect to the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2018. Initial purchases of beneficial interests in the Bonds will be made in book-entry form and the 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 Bonds will not receive certificates representing their interests in the Bonds and will not be paid directly by the Fiscal Agent. See "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM."

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

Neither the faith and credit nor the taxing power of the Authority, 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 Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are special tax obligations of the Authority for the District payable solely from Special Tax Revenues and other amounts held under the Fiscal Agent Agreement as more fully described herein.

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. The purchase of the Bonds involves significant risks, and the 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 Bonds.

This cover page contains certain information for quick reference only. It is not a complete summary of the terms of this Bond issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

MATURITY SCHEDULE
(see Inside Cover Page)

The 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 District 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 Bonds through the facilities of The Depository Trust Company is expected to occur on or about ________, 2017.

The date of the Official Statement is ________, 2017.

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* Preliminary, subject to change.

$22,000,000*
SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1
2017 SPECIAL TAX BONDS

MATURITY SCHEDULE

$__________* Serial Bonds

(Base CUSIP†: ________)

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP®†
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					

$_______ ____% Term Bond maturing September 1, ____, Yield ____%, Price ______ CUSIP®† ___

$_______ ____% Term Bond maturing September 1, 2045, Yield ____%, Price ______ CUSIP®† ___

* 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 District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the Bonds. None of the District, the Municipal Advisor or the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 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 Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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 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 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 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 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 this information is not guaranteed as to accuracy or completeness. All summaries of the Bonds, the Indenture 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."

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

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market price of the 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 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.

Bonds are Exempt from Securities Laws Registration. The 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 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.

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
SANTA CRUZ, CALIFORNIA

Board of Directors
Martín Bernal, Chair, City of Santa Cruz
Jenny Haruyama, Vice Chair, City of Scotts Valley
Susan Mauriello, Member, County of Santa Cruz
Jamie Goldstein, Member, City of Capitola

Authority Staff
Susan Nemitz, Executive Director
Edith Driscoll, Treasurer

PROFESSIONAL SERVICES

Bond Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel
Quint & Thimmig LLP
Larkspur, California

General Counsel
Atchison, Barisone & Condotti, a Professional Corporation
Santa Cruz, California

Municipal Advisor
Harrell & Company Advisors, LLC
Orange, California

Special Tax Consultant
NBS
Temecula, California

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

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OFFICIAL STATEMENT

\$22,000,000*
SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1
2017 SPECIAL TAX BONDS

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in this entire Official Statement, including the cover page and appendices hereto, and the documents summarized or otherwise described herein. A full review should be made of this entire Official Statement and such documents prior to making an investment in the Bonds. The sale and delivery of the Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, including the cover page, the inside front cover page and the appendices hereto, sets forth certain information concerning the issuance by the Santa Cruz Libraries Facilities Financing Authority, California (the "Authority"), of \$22,000,000* aggregate principal amount of Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 (the "District") 2017 Special Tax Bonds (the "Bonds") for and on behalf of the District. The 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 (the "Fiscal Agent Agreement"), 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"). Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given such terms in the Fiscal Agent Agreement, some of which are set forth in Appendix A hereto.

Issuing Authority

The District was established by the Board of Directors of the Authority (the "Board of Directors"), acting as legislative body of the District, pursuant to proceedings under the Act on February 11, 2016. See "THE DISTRICT - Authorization" herein. The Bonds were authorized to be issued by a resolution adopted by the Board of Directors on ________, 2017 (the "Resolution of Issuance"). The Bonds are being issued pursuant to the Act, the Resolution of Issuance, and the Fiscal Agent Agreement. See "THE BONDS - Authority for Issuance."

Application of Proceeds

The net proceeds of the Bonds will be used to (1) construct or improve library facilities located within the District, (2) fund a reserve fund for the Bonds, and (3) pay costs of issuing the Bonds. See "SOURCES AND USES OF BOND PROCEEDS" herein.

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* 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 members of the Authority (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 of Directors comprised of the County Administrative Officer and the City Manager of each City. The JPA Agreement was amended on February 28, 2017.

The District

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 the City of Watsonville in the southwestern area of the County. The District currently contains over 69,000 parcels subject to the Special Tax (defined below), of which 76% are developed with single family residential units and another 18% are developed with multifamily residential units, with the remaining 6% of parcels being either agricultural, commercial, recreational or mixed use. See "THE DISTRICT" herein.

Formation Proceedings.

The District has been formed by the Board of Directors 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 of Directors acts as the legislative body of the District.

Pursuant to the Act, in December 2015 and February 2016, the Board of Directors 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. The Bonds are secured by a pledge of and are payable solely from Net Special Taxes (as defined herein) located on taxable property within the District. Following public hearings conducted pursuant to the provisions of the Act, the Board of Directors 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, 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 taxable property within the District in accordance with the rate and method of apportionment of the Special Taxes for the District (the "Rate and Method").

Property Value.

The value of the land within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of the Special Tax levied on its property, the Authority's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the Special Tax. See "THE DISTRICT - Property Assessed Values" for a discussion of the development status of property in the District and the assessed value (and value-to-lien ratios) of property within the District.

No appraisal of the property within the District has been undertaken by the Authority in connection with the issuance of the Bonds.

The value of the property subject to the Special Tax for Fiscal Year 2016/17, based on County assessed values as of January 1, 2016, is $35,586,414,321. See "THE DISTRICT - Property Assessed Values" below. Within the District there are other liens and overlapping indebtedness. Total direct and overlapping tax and assessment debt on property in the District as of March 1, 2017 is $367,560,059*, as adjusted to include the par amount of the Bonds. See "THE DISTRICT - Estimated Direct and Overlapping Debt" for a discussion of additional debt secured by liens on the real property in the District on a parity with the Bonds. When combined with the Bonds the total value-to-lien ratio within the District is 96.8:1*. See "THE DISTRICT - Development Summary and Special Taxes" and "Estimated Direct and Overlapping Debt." The value of individual parcels vary significantly. In addition, County assessed values may not reflect current market values. No recent independent appraisal of the taxable property subject to the levy of Special Taxes (the "Developed Property") has been conducted in connection with the Bonds, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be sufficient to pay such parcel's delinquent Special Taxes. See "SPECIAL RISK FACTORS - Property Values" and "SPECIAL RISK FACTORS - Levy and Collection of Special Taxes."

Security for the Bonds

Under the Fiscal Agent Agreement, the Authority has pledged to repay the Bonds from Net Special Taxes and certain funds pledged thereto pursuant to the Fiscal Agent Agreement. "Net Special Taxes" is defined in the Fiscal Agent Agreement to mean the proceeds of the Special Taxes (as defined below) received by the Authority, including any scheduled payments and any prepayments thereof, less the "Administrative Expense Requirement" (as defined herein). 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" herein.

"Special Tax" is defined in the Fiscal Agent Agreement and is used in this Official Statement to mean the special taxes levied by the Board of Directors 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) pursuant to the Act, the Rate and Method and the Fiscal Agent Agreement. 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 (except for the "Administrative Expense Requirement" as defined herein) and from certain amounts on deposit in the Special Tax Fund, the Bond Fund and the Reserve Fund established under the Fiscal Agent Agreement. See "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT." A portion of the proceeds of the Bonds will be deposited in the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement. The moneys in the Reserve Fund will be used for, among other purposes permitted by the Fiscal Agent Agreement, payment of the principal of and interest on the Bonds in the event that moneys in the Bond Fund are insufficient therefor. See "SECURITY FOR THE BONDS - Reserve Fund."

* Preliminary, subject to change.

Foreclosure Actions. So long as the Special Taxes are included in the County's Teeter Plan (see "THE DISTRICT - Teeter Plan'), the Authority will not be required to initiate foreclosure proceedings.

Limited Liability

Although the unpaid Special Taxes constitute a lien on the taxable real property within the District, they do not constitute a personal indebtedness of any landowner within the District, or any future property owner in the District. There is no assurance that the current owners of property within the District, or any future property owners 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 to be levied annually on the Developed Property within the District and amounts in certain funds established under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the state of California, the Authority, 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.

Description of the Bonds

The Bonds are dated their date of delivery and 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. Interest on the Bonds will be payable on each March 1 and September 1 each year, beginning March 1, 2018.

The Bonds will be issued and delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in denominations of $5,000 or any integral multiple in excess thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Fiscal Agent Agreement. See "THE BONDS - Description of the Bonds" and "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM" herein.

Principal of, premium, if any, and interest on the Bonds are payable by the Fiscal Agent to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Fiscal Agent, all as described herein. See "THE BONDS - Description of the Bonds" and "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM" herein. *So long as the Bonds are in book-entry only form, all references in the Official Statement to the owners or holders of the Bonds shall mean DTC or its nominee and not the Beneficial Owners of the Bonds.*

The Bonds are subject to optional redemption, mandatory redemption from certain Special Tax prepayments and mandatory sinking fund redemption as described herein. For more complete descriptions of the Bonds and the Fiscal Agent Agreement, see "THE BONDS" and "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT," herein.

Professionals Involved in the Offering

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as Fiscal Agent under the Fiscal Agent Agreement. The proceedings of the Board of Directors in connection with the issuance, sale and delivery of the 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, Larkspur, California, Disclosure Counsel. Other professional services related to the Bonds have been performed by Harrell & Company Advisors, LLC, Orange, California, as the Authority's Municipal Advisor, and by NBS, Temecula, California, as Special Tax Consultant.

Forward-Looking Statements

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," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE DISTRICT."

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 DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Summaries Not Definitive

Brief descriptions of the Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Agreement, the security for the Bonds, the District, the 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 BOND PROCEEDS

Under the provisions of the Fiscal Agent Agreement, the Fiscal Agent will receive the proceeds from the sale of the Bonds and will apply them as follows:

<u>Sources of Funds</u>	
Principal Amount of Bonds	
Net Original Issue Premium/Discount	
Total	
<u>Uses of Funds</u>	
Costs of Issuance Fund (1)	
Reserve Fund (2)	
Improvement Fund - County Subaccount (3)	
Improvement Fund - Capitola Subaccount (3)	
Improvement Fund - Santa Cruz Subaccount (3)	
Improvement Fund - Scotts Valley Subaccount (3)	
Underwriter's Discount	
Total	

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

(2) An amount equal to the Reserve Requirement. See "SECURITY FOR THE BONDS - Reserve Fund."

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

THE BONDS

Authority for Issuance

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

Description of the Bonds

The 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 Bonds will be issued without coupons as one fully registered bond for each maturity, in the name of Cede & Co., as nominee for DTC, as registered owner of all the Bonds. The Bonds will be available to ultimate purchasers in denominations of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the purchasers or Beneficial Owners of the Bonds. See "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM."

So long as the Bonds are held in book-entry only form, principal of, premium, if any, and interest on the Bonds will be paid directly to DTC for distribution to the Beneficial Owners of the Bonds in accordance with the procedures adopted by DTC. See "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM." The Bonds will mature on September 1, in the principal amounts and years, and bearing rates of interest, as shown on the inside cover of this Official Statement.

Interest on the Bonds will be payable semiannually on September 1 and March 1 of each year, commencing March 1, 2018 (each, an "Interest Payment Date") and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will 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, 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 Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of Participants and Indirect Participants, as more fully described herein. See "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM."

Redemption of Bonds

Optional Redemption. The Bonds 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, 2027, from funds derived by the Authority from any source, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to mandatory 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 Interest Payment Date on or after September 1, 2018, from amounts in the Special Tax Prepayments Account resulting from a prepayment of Special Taxes in excess of $40,000 for a single parcel, and available to redeem Bonds under the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

Redemption Dates	Redemption Price
September 1, ____ through March 1, ____	103%
September 1, ____ and March 1, ____	102%
September 1, ____ and March 1, ____	101%
September 1, ____ and any Interest Payment Date thereafter	100%

The Bonds will be redeemed prorata with any series of Parity Bonds outstanding at the time of such prepayment of Special Taxes.

Mandatory Sinking Payment Redemption. The Bonds maturing on September 1, ____ are 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:

BONDS MATURING SEPTEMBER 1, ____

Redemption Date (September 1)	Sinking Payment

The Bonds maturing on September 1, ____ are 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:

BONDS MATURING SEPTEMBER 1, ____

Redemption Date (September 1)	Sinking Payment

The amounts in the foregoing tables will be reduced pro rata as a result of any prior partial redemption of the Bonds pursuant to optional redemption provisions or mandatory redemption from Special Tax prepayments described herein, as specified in writing by the Treasurer to the Fiscal Agent.

Purchase of 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 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 and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

Selection of Bonds for Redemption

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of a single maturity of the same issue, the Fiscal Agent shall select the 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 Bond as consisting of separate $5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Upon surrender of Bonds redeemed in part only, the Authority shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the Authority, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

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, to the Information Service, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall (i) state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption; (ii) state as to any Bond called in part the principal amount thereof to be redeemed; (iii) require that the 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 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 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 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 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 Bonds, or any other party, as a result of the Authority's failure to redeem the Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the Authority may rescind any optional redemption of the 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 Bonds so called for redemption. Notice of 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 Bond of notice of such 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 rescission. Neither the Authority nor the Fiscal Agent will have any liability to the Owners of any Bonds, or any other party, as a result of the Authority's decision to rescind a redemption of any Bonds pursuant to the Fiscal Agent Agreement.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption have been deposited in the Bond Fund, such 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 Bonds

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds shall be made in accordance with DTC procedures. See "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM." DTC will act as securities depository for the Bonds. The 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 Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds (see "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM" herein). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Fiscal Agent will send any notices to Owners only to DTC.

DTC may discontinue providing its services as securities depository with respect to the 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 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.

Annual Debt Service of Bonds

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

Year Ending (September 1)	Principal	Interest	Total
2018			
2019			
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			
Total			

SECURITY FOR THE BONDS

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, the Bond Fund, and the Reserve Fund (including the investment earnings thereon), and from no other sources.

The term "Net Special Taxes" is defined in the Fiscal Agent Agreement to mean the proceeds of the Special Taxes received by the Authority, including any scheduled payments, interest thereon, collections of any delinquent Special Taxes, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, after the Administrative Expense Requirement is funded to the Administrative Expense Fund. "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 Net Special Taxes are not received when due, the only sources of funds available to pay the debt service on the Bonds are certain amounts held by the Fiscal Agent under the Fiscal Agent Agreement, including amounts held in the Reserve Fund.

Neither the faith and credit nor the taxing power of the Authority, 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 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 of Directors established the District on February 11, 2016, to finance the construction and renovation of public library facilities located within the District ("Authorized Facilities"). 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 taxable property within the District pursuant to the Rate and Method. A Notice of Special Tax Lien was recorded in the Office of the Recorder of the County of Santa Cruz on August 18, 2016 as Document Nos. 2016-0030573, 2016-0030574, 2016-0030575, 2016-0030576 and 2016-0030577. See "APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1" attached hereto for the complete text of the Rate and Method.

The Bonds shall be secured by a first pledge of all of the Net Special Taxes and all moneys deposited in the Bond Fund and the Reserve 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.

Amounts in the Administrative Expense Fund and 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.

The Bonds are not secured by any amounts on deposit in the Administrative Expense Fund, the Improvement Fund and Subaccounts or the Costs of Issuance Fund established under the Fiscal Agent Agreement. Any facilities financed with the proceeds of the Bonds are not in any way pledged to pay debt service on the Bonds.

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 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 tax roll.

The Fiscal Agent Agreement provides that Authority shall fix and levy the amount of Special Taxes within the District required for the payment of the principal of and interest on any outstanding Bonds becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund, and 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 Authorized Facilities. 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 the Reserve Fund in the event of the delinquency of payment of Special Taxes levied on property 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 the first $100,000 of Special Taxes collected for a Fiscal Year, escalating by 5% each Fiscal Year commencing with Fiscal Year 2018-19. Such amounts shall 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 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 required or voluntary prepayment of Special Taxes in excess of $40,000 with respect to a single parcel will result in a mandatory redemption of Bonds and any Parity Bonds. See "THE BONDS - Redemption of Bonds - *Mandatory Redemption from Special Tax Prepayments.*"

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, the Board of Directors may elect, as permitted by the Act, to collect the Special Taxes to be levied for any fiscal year directly from the owners of the parcels of taxable property upon which the Special Taxes are levied rather than by transmitting the amount of the Special Taxes to the County Auditor-Controller for collection on the tax roll. The Special Taxes will be transferred to the Fiscal Agent and 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 has covenanted that it will not conduct or consent to proceedings under the Act to reduce the maximum Special Tax rates for Developed Property (the "Maximum Rates") below the amounts which are necessary to provide Special Tax Revenues in an amount equal to 110% of Maximum Annual Debt Service on the outstanding Bonds plus the Administrative Expenses Requirement for the then current fiscal year. The Authority has further covenanted that in the event 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. 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 landowners 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 the Authority to be deposited in the Special Tax Fund established and held by the Fiscal Agent; provided that any proceeds of Special Tax Prepayments from a single property in excess of $40,000 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 Fiscal Agent Agreement. Moneys in the Special Tax Fund shall be held in trust by the Fiscal Agent 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 the Business Day before each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts 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 on the next Interest Payment Date;

(iii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement;

(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.

The amounts the Authorized Officer directs the Fiscal Agent to transfer from time to time to 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.

At any time following the deposit of Special Taxes in an amount sufficient to make payment of all of the foregoing deposits for the current Bond Year, any amounts in excess of such amounts remaining in the Special Tax Fund shall, upon the written direction of an Authorized Officer, be transferred by the Fiscal Agent to the Special Tax Remainder Account established for such purpose by the Fiscal Agent, to be used for any lawful purpose under the Act and released upon the written direction of an Authorized Officer.

In the absence of such written direction, 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; 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."

Parity Bonds

The Fiscal Agent Agreement permits the District to issue "Parity Bonds," which are defined as bonds, notes or other obligations authorized to be issued pursuant to the provisions of the Fiscal Agent Agreement payable from Net Special Taxes on a parity with the 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 are at least equal to 110% of the debt service payable on the Outstanding amount of the Bonds and the Parity Bonds to be issued in every such year. The Authority will also establish a separate reserve account with respect to a series of Parity Bonds in an amount necessary to increase the amount on deposit therein to the Reserve Requirement.

Reserve Fund

In order to secure the payment of principal and interest on the Bonds, the Authority will initially deposit Bond proceeds in an amount equal to the initial Reserve Requirement into the Reserve Fund held by the Fiscal Agent. The Reserve Requirement is, as of any date of calculation, the lesser of 50% of (i) 10% of the par amount of the Bonds; (ii) Maximum Annual Debt Service on the Bonds; or (iii) 125% of average Annual Debt Service on the Bonds, as determined by the Authority.

All amounts on deposit in 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 either of such accounts of the amount then required for payment of the principal of and interest and any premium on the Bonds or, in accordance with the provisions of the Fiscal Agent Agreement for the purpose of redeeming Bonds. In addition, the Fiscal Agent Agreement provides that whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds to Reserve Requirement, the Fiscal Agent shall provide written notice to the Authority of the amount of the excess. The Fiscal Agent shall, subject to the requirements of the Fiscal Agent Agreement, transfer an amount from the Reserve Fund which will reduce the amount on deposit therein to an amount equal to the Reserve Requirement to the Bond Fund, to be used for the payment of the interest on the Bonds on the next succeeding Interest Payment Date.

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 (2) 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. See "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT" for a description of the Permitted Investments.

No Covenant for Foreclosure While Subject to Teeter Plan

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 intends to include the Special Taxes of the District in its Teeter program. However, the County reserves the option 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 shall not be 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 tax 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.

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 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 of Directors adopted Resolution No. 2015-02, stating its intention to establish the District. On February 11, 2016, following a duly noticed public hearing, the Board of Directors 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 within the District. Pursuant to Resolution No. 2016-001, the Board of Directors called an election pursuant to the Act. On June 7, 2016, the registered voters residing within the District voted in favor of the incurrence of bonded indebtedness in a principal amount not to exceed $67,000,000 to finance certain water facilities and improvements thereto, and the levy of the Special Tax consistent with the Rate and Method.

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" or in limited cases, Taxable Public Property up to the Maximum Special Tax (as defined in the Rate and Method). 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 Authorized Facilities means library facilities located in the County, including but not limited to 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 Authorized Facilities shall include 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 Authorized Facilities shall also include, 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 CFD and bond trustee or fiscal agent related to the CFD, and any such debt and all other incidental expenses. The Authorized Facilities shall 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 will be permitted a maximum amount of $62,000,000 for the Authorized Facilities as follows:

City of Capitola	$ 8,000,000
City of Santa Cruz	25,000,000
City of Scotts Valley	3,000,000
County of Santa Cruz	26,000,000
	$62,000,000

The maximum Authorized Facilities for each Member may be funded with a combination of Special Taxes and bond proceeds. As shown in the "FINANCING PLAN," Members are expected to initially fund $21,600,000 from proceeds of the Bonds. A second series of Parity Bonds is expected to be issued within

18 months to fund the balance of the maximum Authorized Facilities, net of any available Net Special Taxes from the Special Tax levy in Fiscal Years 2016/17 and 2017/18.

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 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, continue to be levied on the property acquired and shall be enforceable against the public entity that acquired the property (the "Taxable Public Property").

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

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

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

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 Type located on that parcel.

Table No. 1 on the following page summarizes the Developed Property within the District by Property Type under the Rate and Method along with the Fiscal Year 2016/17 Special Tax levy. Table No. 2 summarizes the Developed Property within the District by Property Type under the Rate and Method, together with the 2016/17 Maximum Special Tax based on 2016/17 Developed Property, allocation of the Bond debt based on the projected 2016/17 Special Tax levy and the County Fiscal Year 2016/17 assessed value of the Developed Property.

The following tables exclude vacant land within the District. These parcels are not subject to Special Taxes unless and until classified as Developed Property. The District makes no representation as to if, or when, any such properties will be developed and subject to the Special Tax.

TABLE NO. 1
DEVELOPMENT SUMMARY

Property Type	2016/17 Number of Parcels	2016/17 Number of Units/Parcels (1)	2016/17 Special Tax	% of 2016/17 Special Tax
Single Family Residential	52,517	54,159	$2,680,871	60.7%
Multifamily Residential	12,521	27,052	1,339,074	30.3%
Agricultural	332	332	28,552	0.6%
Agricultural with Residential	669	669	90,650	2.1%
Commercial	2,507	2,507	215,602	4.9%
Commercial with Residential	310	310	42,005	1.0%
Recreational	197	197	16,942	0.4%
Recreational with Residential	1	1	135	0.0%
	69,054	85,227	$4,413,831	100.0%

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

Source: NBS and Harrell & Company Advisors, LLC.

NBS expects that the 2017/18 Special Tax will be slightly higher than the 2016/17 Special Tax. The initial number of units used to calculate the Special Tax for multifamily parcels was based on the lowest number of units using the parcels' County Use Code. For example, if a multifamily parcel had a County Use Code showing 11-20 units, 11 units was used by NBS for the 2016/17 Special Tax Levy. An analysis is underway by NBS to determine actual number of units on each multifamily parcel, which could result in additional units on such parcels.

TABLE NO. 2
SHARE OF DISTRICT BONDS

Property Type (1)	2016/17 Number of Parcels	2016/17 Maximum Special Tax	Share of District Bonds (3)*	2016/17 Assessed Value (2)	Value to CFD Debt Ratio
Single Family Residential	52,517	$2,680,871	$13,362,351	$25,939,077,221	1,941.21:1
Multifamily Residential	12,521	1,339,074	6,674,390	5,668,267,193	849.26:1
Agricultural	332	28,552	142,313	148,930,901	1,046.50:1
Agricultural with Residential	669	90,650	451,827	468,020,237	1,035.84:1
Commercial	2,507	215,602	1,074,632	2,969,681,747	2,763.44:1
Commercial with Residential	310	42,005	209,367	197,740,857	944.47:1
Recreational	197	16,942	84,445	194,682,487	2,305.44:1
Recreational with Residential	1	135	675	13,678	20.26:1
	69,054	$4,413,831	$22,000,000	$35,586,414,321	1,617.56:1

(1) As classified by the special tax administrator based on County Assessor's use code and other data for the 2016/17 special tax levy.

(2) Based on the Santa Cruz County Assessor Roll for Fiscal Year 2016/17, with a January 1, 2016 valuation date. Assessed value does not reflect any changes made to valuation after July 2016 as a result of assessment appeal, correction, change of ownership or any other changes.

(3) Allocated based on proportionate share of 2016/17 Maximum Special Tax levy.

Source: NBS and Harrell & Company Advisors, LLC.

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 Bonds, based on existing Developed Property. The District is permitted under certain conditions, and expects to, issue Additional Bonds (see "SECURITY FOR THE BONDS - Additional Bonds.")

TABLE NO. 3
COVERAGE FROM DEVELOPED PROPERTY MAXIMUM SPECIAL TAX

2016/17 Maximum Special Tax	$4,413,831
Maximum Administrative Expense (1)	(228,794)
Net Special Taxes	4,185,037
Maximum Annual Debt Service (2)	$1,415,000*
Coverage	295.8%*

(1) Based on $100,000 in Fiscal Year 2017/18 increased at 3% annually through maturity of the Bonds.

(2) The District expects to issue Parity Bonds, which will increase debt service and decrease coverage form the Net Special Taxes. See "Security for the Bonds - Parity Bonds."

Source: NBS and Harrell & Company Advisors, LLC.

* Preliminary, subject to change.

Teeter Plan

The County intends 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. However, the County reserves the option at any time 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 "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:

Fiscal Year	% Delinquent	Fiscal Year	% Delinquent
2006/07	2.6%	2011/12	1.9%
2007/08	3.7	2012/13	1.5
2008/09	3.8	2013/14	1.2
2009/10	3.0	2014/15	1.2
2010/11	2.4	2015/16	1.1

Estimated Direct and Overlapping Debt

Set forth below is the direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., as of March 1, 2017. The Debt Report is included for general information purposes only.

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 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 $367,560,059* of direct and overlapping tax and assessment debt and overlapping lease obligation debt, including the Bonds being issued. 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, the fixed assessments as applicable, and the general 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.

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* Preliminary, subject to change.

TABLE NO. 4
DIRECT AND OVERLAPPING DEBT SUMMARY

2016-17 Assessed Valuation: $35,586,414,321 (Land and Improvements)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/17
Cabrillo Community College District General Obligation Bonds	82.652%	$ 95,465,763
West Valley-Mission Community College District General Obligation Bonds	0.961	3,927,183
Aromas-San Juan Joint Unified School District General Obligation Bonds	0.796	118,236
Pajaro Valley Joint Unified School District General Obligation Bonds	64.550	99,958,913
San Lorenzo Unified School District General Obligation Bonds	95.126	25,668,775
Scotts Valley Unified School District General Obligation Bonds	93.715	24,384,694
Los Gatos-Saratoga Union High School District General Obligation Bonds	5.017	5,768,928
Santa Cruz High School District General Obligation Bonds	94.545	29,993,082
Lakeside Joint School District General Obligation Bonds	67.392	230,087
Loma Prieta Joint Union School District General Obligation Bonds	75.440	2,753,455
Live Oak School District General Obligation Bonds	95.043	11,458,339
Pacific School District General Obligation Bonds	80.256	660,418
Santa Cruz School District General Obligation Bonds	94.522	14,934,313
Soquel Union School District General Obligation Bonds	94.716	8,401,291
City of Santa Cruz General Obligation Bonds	94.247	5,160,048
Lompico County Water District General Obligation Bonds	97.865	74,377
Zayante Fire Protection District General Obligation Bonds	95.596	38,238
Santa Cruz Libraries Facilities Community Facilities District No. 2016-1	**100.**	**22,000,000** (1)
City of Scotts Valley Community Facilities District No. 97-1	84.259	3,067,038
Santa Cruz County Community Facilities District No. 1	97.972	8,249,257
San Lorenzo Unified School District Recreation Improvement and Maintenance Assessment District	99.321	511,505
Santa Cruz County Assessment Districts	various	2,710,238
Pajaro Dunes Geo Hazard Abatement Assessment District	98.599	1,360,662
San Lorenzo County Water District Assessment District	100.	665,219
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$367,560,059
OVERLAPPING GENERAL FUND DEBT:		
Santa Cruz County General Fund Obligations	86.116%	$ 60,709,579
Santa Cruz County Office of Education Certificates of Participation	86.116	8,056,750
West Valey-Mission Community College District Certificates of Participation	0.961	612,496
Scotts Valley Unified School District Certificates of Participation	93.715	3,116,030
Loma Prieta Joint Union School District Certificates of Participation	75.440	324,394
Live Oak School District Certificates of Participation	95.043	11,998,155
Santa Cruz High School District Certificates of Participation	94.545	7,216,961
Soquel Union School District Certificates of Participation	94.716	478,315
Los Gatos Union High School District Certificates of Participation	5.017	290,980
City of Capitola Certificates of Participation and Pension Obligations	94.058	3,503,302
City of Santa Cruz Certificates of Participation and Pension Obligations	94.247	29,281,856
City of Scotts Valley Certificates of Participation	92.031	7,786,370
TOTAL OVERLAPPING GENERAL FUND DEBT		$133,375,188
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$229,872,675
COMBINED TOTAL DEBT		$730,807,922 (2)

(1) Issue to be sold; preliminary, subject to change.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:
Direct Debt **0.06%**
Total Direct and Overlapping Tax and Assessment Debt 1.03%
Combined Total Debt 2.05%

Source: California Municipal Statistics.

Estimated Tax Rate

Set forth on the following page is Table No. 5 which provides the estimated average effective tax rates for Fiscal Year 2016/17, 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 2016/17

	City of Capitola	City of Santa Cruz	City of Scotts Valley	Soquel	Felton
Average Assessed Value [(1)]					
Homeowner's Exemption					
Estimated Net Assessed Value					
Ad Valorem Tax Rate					
Fixed Assessments:					
CFD 2016-1 Special Tax					
Other [(2)]					
Estimated Total Tax					
Estimated Effective Tax Rate					

(1) Average based on Fiscal Year 2016/17 County secured tax roll assessed values for Single Family Residential Property Type, which may not represent the current market value of the respective property.

(2) Includes _______________.

Source: NBS.

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 property within the District that may be incurred in the future by other governmental agencies having jurisdiction over such 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 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 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, 2016, totaling $35,586,414,321. The assessed values of 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 rebuttably 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 property in the District will not be reduced by the County Assessor for Fiscal Year 2017/18 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 property in the District.

Table No. 6 shows assessed valuations for all taxable property in the District for Fiscal Years 2015/16 and 2016/17.

TABLE NO. 6
HISTORICAL ASSESSED VALUATION

	Land Value	Structure Value	Total Value
2015/16 [(1)]	$18,271,299,291	$15,489,181,145	$33,760,480,436
2016/17 [(2)]	19,446,933,172	16,139,481,149	35,586,414,321

(1) Per Santa Cruz County Assessor's roll data for Fiscal Year 2015/16, with a January 1, 2015 valuation date. Assessed value does not reflect any changes made to valuation after July 2015 as a result of assessment appeal, correction or any other changes.

(2) Per Santa Cruz County Assessor's roll data for Fiscal Year 2016/17, with a January 1, 2016 valuation date. Assessed value does not reflect any changes made to valuation after July 2016 as a result of assessment appeal, correction or any other changes.

Source: Santa Cruz County Assessor's roll data, compiled by NBS.

Top Taxpayers

Table No. 7 shows the percent of the Fiscal Year 2016/17 Maximum Special Tax based on property ownership status as of January 1, 2016 as provided by the County of Santa Cruz.

TABLE NO. 7
LARGEST TAXPAYERS

Property Owner	Property Type (1)	Parcels	Units (2)	2016/17 Maximum Special Tax	% of 2016/17 Maximum Special Tax
Paradise Park Masonic Club Inc	SFR, Rec	333	337	$ 16,718	0.4%
Cypress Point RE Investors LLC	MFR	1	240	11,880	0.3
Spring Lakes Park	MFR	1	223	11,039	0.3
Millenium Housing LLC	MFR	4	218	10,791	0.2
Rodeo Mobile Estates LLC	MFR	4	207	10,247	0.2
Carefree Communities CA LLC	MFR	1	202	9,999	0.2
Community Affordable Housing LP	MFR	1	200	9,900	0.2
MHC De Anza Santa Cruz LP	MFR	2	199	9,851	0.2
Shoreline Mobile Estates LLC	MFR	4	179	8,861	0.2
Pinto Lake MHP LLC	MFR	1	177	8,762	0.2
Total Top Ten Owners		352	2,182	108,048	2.4
All Others		68,702	83,045	4,305,783	97.6
Total		69,054	85,227	$4,413,831	100.0%

(1) As classified by the special tax administrator based on County Assessor's use code and other data for the 2016/17 special tax levy.

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

Source: County of Santa Cruz; compiled by NBS.

Estimated Total Valuation of Developed Taxable Property Within the District

Table Nos. 8 through 10 show the pro-rata share of Bonds and other overlapping tax and assessment debt allocated by Fiscal Year 2016/17 Special Tax levy summarized based on value-to-lien ratios ranges. The tables are segregated by residential and all other agricultural, commercial, recreational and mixed use properties.

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

Assessed Value-to-Lien	2016/17 Parcels	2016/17 Units (1)	FY 2016/17 Special Tax	% of Special Tax	Assessed Value (2)	Share of Bonds (3)*	Other Overlapping Bonded Debt (4)	Total Direct and Overlapping Debt	Average Value to Lien*
Below 3:1	143	211	$ 10,810	0.24%	$ 240,421	$ 53,878	$ 115,582	$ 169,460	1.42:1
3:1 to 4.99:1	16	17	878	0.02	579,886	4,376	129,174	133,550	4.34:1
5:1 to 9.99:1	129	208	10,930	0.25	10,578,886	54,476	1,336,867	1,391,343	7.60:1
10:1 to 19.99:1	265	370	19,705	0.45	45,674,688	98,214	2,823,624	2,921,838	15.63:1
20:1 to 29.99:1	540	1,232	63,367	1.44	122,126,798	315,840	4,494,438	4,810,278	25.39:1
Above 30:1	67,961	83,189	4,308,141	97.60	35,407,213,642	21,473,216	336,660,374	358,133,590	98.87:1
Total	69,054	85,227	$4,413,831	100.00%	$35,586,414,321	$22,000,000	$345,560,059	$367,560,059	96.82:1

See footnotes following Table No. 10.

TABLE NO. 9
VALUE TO LIEN RATIO OF DEVELOPED PROPERTY
RESIDENTIAL PROPERTY

Assessed Value-to-Lien	2016/17 Parcels	2016/17 Units (1)	FY 2016/17 Special Tax	% of Special Tax	Assessed Value (2)	Share of Bonds (3)*	Other Overlapping Bonded Debt (4)	Total Direct and Overlapping Debt	Average Value to Lien*
Below 3:1	128	196	$ 9,702.00	0.24%		$ 48,358.00	$ 1,758	$ 0.02	128:1
3:1 to 4.99:1	1	1	49.50	0.00%		246.72	1,060	4.30	1:1
5:1 to 9.99:1	2	70	3,465.00	0.09%		17,270.71	137,008	7.84	2:1
10:1 to 19.99:1	4	4	198.00	0.00%		986.90	15,294	15.50	4:1
20:1 to 29.99:1	15	317	15,691.50	0.39%		78,211.66	2,164,912	19.86	15:1
Above 30:1	64,888	80,623	3,990,838.50	99.28%		19,891,667.11	31,605,024,382	1,841.71	64,888:1
Total Residential	65,038	81,211	$4,019,944.50	100.00%		$20,036,741.10	$31,607,344,414	$1,837.47	65,038:1

See footnotes following Table No. 10.

TABLE NO. 10
VALUE TO LIEN RATIO OF DEVELOPED PROPERTY
PROPERTY OTHER THAN RESIDENTIAL

Assessed Value-to-Lien	2016/17 Parcels	2016/17 Units (1)	FY 2016/17 Special Tax	% of Special Tax	Assessed Value (2)	Share of Bonds (3)*	Other Overlapping Bonded Debt (4)	Total Direct and Overlapping Debt	Average Value to Lien*
Below 3:1	10	10	$ 860	0.22%	$ 23,022	$ 4,286	$29,400	$33,686	0.68:1
3:1 to 4.99:1	1	1	86	0.02%	1,410	428	0	428	3.29:1
5:1 to 9.99:1	16	16	1,426	0.36%	890,137	7,105	113,619	120,724	7.37:1
10:1 to 19.99:1	34	34	3,073	0.78%	3,065,312	15,314	167,247	182,561	16.79:1
20:1 to 29.99:1	49	49	4,808	1.22%	6,716,685	23,965	242,167	266,132	25.24:1
Above 30:1	3,906	3,906	383,633	97.40%	3,968,373,342	1,912,161	34,860,757	36,772,917	107.92:1
Total Other	4,016	4,016	$393,886	100.00%	$3,979,069,908	$1,963,259	$35,413,190	$37,376,448	106.46:1

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

(2) Allocated based on the proportionate share of the 2016/17 Maximum Special Tax.

(3) Per Santa Cruz County Assessor's roll data for Fiscal Year 2016/17, with a January 1, 2016 valuation date. Assessed value does not reflect any changes made to valuation after July 2016 as a result of assessment appeal, correction or any other changes.

(4) Per overlapping debt statement data provided by California Municipal Statistics as of April 17, 2017

Source: NBS 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."

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 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 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 Authority 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 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 property owners 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 Authority 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, on deposit in the Reserve Fund established for the Bonds or funds derived from the foreclosure and sale of parcels for Special Tax delinquencies. The Authority is not 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 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% 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 Parcels 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 Developed Parcels 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 Taxable Parcel 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. See "Enforcement of Special Taxes on Governmentally Owned Properties" below.

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 or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. See "THE DISTRICT - Teeter Plan."

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, taking into account other obligations also constituting a lien against the parcel, the Authority has no personal 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 Bonds. Therefore, the estimated valuation of the Developed Parcels in the District set forth in this Official Statement are 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.

No assurance can be given that any of the Developed Parcels in the District could be sold for the assessed value if that property should become delinquent and subject to foreclosure proceedings.

Property Values

The value of Developed Parcels within the District is a critical factor in determining the investment quality of the 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. See "Bankruptcy Delays" below. Property values within the District were adversely affected by a decline in market value along with the rest of the State during the recent 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 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.

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. Flooding is considered a risk and some areas of the County, and therefore the District, are within a 100-year flood plain. During the recent winter rains, several landslides occurred in the County. Further, because certain areas of the County are covered with woodland, brush or grassland, there is wildfire risk depending on weather conditions. In addition, portions of the District are located along the Pacific Ocean. Property in the District could be subject to impacts from tsunamis in the event of an earthquake occurring off-shore. 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.

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 Developed Parcels 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 Developed Parcels 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.

California Drought; State of Emergency Proclamation; Water Rates

[to be completed]

Other Possible Claims Upon the Property Values

While the Special Taxes are secured by a lien on the Developed Parcels in the District, the property is subject to various parity liens and other similar claims. Tables listing the outstanding governmental obligations affecting the District are 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 Reserve Fund

A Reserve Fund has been established and may be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Taxes against property within the District. See "SECURITY FOR THE BONDS - Reserve Fund."

If funds in the Reserve Fund are depleted, the funds 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 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 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 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 Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

Disclosure to Future Purchasers

The County recorded, in the Office of the County Recorder, a notice of the Special Tax lien with respect to the District. 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 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 Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 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 Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to the redemption provisions of the Fiscal Agent Agreement. See "THE BONDS – Redemption of 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 Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

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 XIIIC and XIIID 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 XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA 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 XIIIC 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 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 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. Any legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the 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.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any 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 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 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the 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 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 imposed on individuals and corporations, *provided, however*, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City 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 Bonds. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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 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 Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue 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 original issue 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 original issue 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 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 Bonds.

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

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

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix B.

CONTINUING DISCLOSURE

The Authority will 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, 2018. Harrell & Company Advisors, LLC will act as dissemination agent (the "Dissemination Agent"). The specific nature of the information to be contained in the annual report or the notices of listed events and certain other terms of the continuing disclosure obligation are found in the form of the Authority's disclosure certificate attached in "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Authority has not entered into any previous undertakings pursuant to the Rule.

It is expected that the Dissemination Agent will prepare and file the Annual Report and any notices of listed events as required by the continuing disclosure obligation for the Bonds on behalf of the Authority and the District.

LEGAL MATTERS

Absence of Litigation

At the time of delivery of and payment for the 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 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 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 Bonds, or in any way contesting or affecting the validity or enforceability of the 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 Bonds

Certain legal matters incident to the authorization and issuance of the 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 Bonds and the District will be passed upon by Atchison, Barisone & Condotti, a Professional Corporation, acting in its capacity as General Counsel to the District. Certain legal matters related to disclosure will be passed upon for the District by Quint & Thimmig LLP, acting in its capacity as Disclosure Counsel to the Authority. Payment of Disclosure Counsel's, fees and expenses is contingent upon the sale and issuance of the Bonds. The various legal opinions to be delivered concurrently with the delivery of the 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

Rating on the Bonds

Standard & Poor's Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "__" to the Bonds. Such rating reflects only the views of S&P, and any desired explanation of the significance of such rating may be obtained from Standard & Poor's Global Ratings at the following address: 55 Water Street, New York, New York 10041, (212) 438-2000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such rating will continue for any given period of time or that such rating 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 Agreement, the Authority undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating 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 Bonds were sold to __________ (the "Underwriter") at competitive bid. The Underwriter is offering the 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 Bonds at a price equal to $__________, which amount represents the principal amount of the Bonds, plus an original issue premium of $__________ and less an Underwriter's discount of $________. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter's discount.

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 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. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the 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 Bonds.

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

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

APPENDIX A

SUMMARY OF THE FISCAL AGENT AGREEMENT

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

[to be provided]

APPENDIX C

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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 information. The County is not obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The 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 50.7% 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

	Incorporated Cities		Unincorporated Communities		Santa Cruz County	
January 1 Year	Population	Percentage Change	Population	Percentage Change	Population	Percentage Change
2012	135,371		131,547		266,918	
2013	136,162	0.6%	132,854	1.0%	269,016	0.8%
2014	136,970	0.6	133,920	0.8	270,890	0.7
2015	138,552	1.2	135,042	0.8	273,594	1.0
2016	139,816	0.9	136,086	0.8	275,902	0.8
% Increase Between 2012 - 2016		3.3		3.5		3.4

Source: *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2011-2015, with 2010 Census Benchmark,"* Sacramento, California, May 2016.

Principal Employers

The principal employers operating within the County during the Fiscal Year ended June 30, 2016 are as follows:

TABLE NO. D-2
COUNTY OF SANTA CRUZ
PRINCIPAL EMPLOYERS
FISCAL YEAR 2015/16

Name of Company	Number of Employees [1]	Product/Service
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
CB North	1,000-4,999	Sports/Recreation Clubs
Dutra Farms	1,000-4,999	Grocery/Wholesale
Cabrillo College	500-999	Education
City of Santa Cruz	500-999	City Services
Watsonville Community Hospital	500-999	Hospital
West Marine	500-999	Retail
Plantronics	500-999	Telephone Apparatus Manufacturer

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

Source: County of Santa Cruz Comprehensive Annual Financial Report.

The County is not aware of any significant change since June 30, 2016 to the principal employers shown in Table No. D-2.

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
2011 – 2015

Year	County of Santa Cruz [(1)]	State of California [(1)]	United States [(1)]
2011	$49,439	$45,820	$42,453
2012	52,256	48,312	44,267
2013	52,908	48,471	44,462
2014	54,585	50,988	46,414
2015	57,257	53,741	48,112

(1) Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2011-2015 reflect county population estimates available as of March 2016.

Note: All dollar estimates are in current dollars (not adjusted for inflation).

Last updated: November 17, 2016 - new estimates for 2015; revised estimates for prior years.

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

Taxable transactions by type of business for the County are summarized below for 2011 through 2015 (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)
2011 – 2015

	2011	2012	2013	2014	2015 [1]
Retail and Food Services					
Motor Vehicle and Parts Dealers	$ 257,320	$ 272,189	$ 300,257	$ 303,969	
Furniture and Home Furnishings Stores	47,221	47,659	52,238	56,212	
Electronics and Appliance Stores	66,499	68,525	66,165	65,301	
Building Material, Garden Equip. and Supplies	247,364	251,652	279,264	290,117	
Food and Beverage Stores	226,249	237,420	243,935	254,794	
Health and Personal Care Stores	96,753	99,767	106,698	113,219	
Gasoline Stations	349,163	363,261	354,464	348,016	
Clothing and Accessories Stores	139,153	147,701	160,507	166,076	
Sporting Goods, Hobby, Books, Music Stores	81,319	80,702	84,288	80,739	
General Merchandise Stores	238,918	260,340	272,124	278,434	
Miscellaneous Store Retailers	128,820	136,364	140,321	146,764	
Nonstore Retailers	14,918	26,359	51,546	58,799	
Food Services and Drinking Places	354,433	383,382	413,375	448,005	
Total Retail and Food Services	**2,248,131**	**2,375,320**	**2,525,183**	**2,610,443**	**$2,679,131**
All Other Outlets	645,264	681,374	745,583	771,673	867,653
Total All Outlets	**$2,893,395**	**$3,056,694**	**$3,270,766**	**$3,382,117**	**$3,546,784**

[1] Beginning in 2015, the State Board of Equalization stopped publishing Industry-level data.

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

Source: California State Board of Equalization, *"Taxable Sales in California."*

Industry

Santa Cruz County is located in the Santa Cruz-Watsonville Metropolitan Statistical Area ("MSA"). As of January 2017, six major job categories constitute 82.0% of the work force. These are government (21.6%), educational and health services (17.3%), service producing (15.4%), leisure and hospitality (12.3%), professional and business services (8.8%), and manufacturing (6.6%). The January 2017 unemployment rate in the Santa Cruz-Watsonville MSA was 8.9% (not seasonally adjusted to account for agricultural employment). The State of California January 2017 unemployment rate (unadjusted) was 5.5%. 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)

Industry	2013	2014	2015	2016	2017
Government	20.5	21.1	21.7	21.6	22.4
Other Services	3.8	4.2	4.3	4.5	4.6
Leisure and Hospitality	10.9	11.6	12.2	12.7	12.8
Educational and Health Services	16.3	16.8	17.2	17.3	18.0
Professional and Business Services	9.4	9.1	9.6	9.6	9.1
Financial Activities	3.3	3.4	3.4	3.5	3.6
Information	0.8	0.8	0.8	0.8	0.8
Transportation, Warehousing and Utilities	1.3	1.3	1.4	1.4	1.4
Service Producing					
Retail Trade	11.4	11.6	11.8	12.3	12.6
Wholesale Trade	3.3	3.4	3.3	3.3	3.4
Manufacturing					
Nondurable Goods	2.5	2.6	2.8	3.3	3.2
Durable Goods	3.1	3.2	3.4	3.7	3.6
Goods Producing					
Mining, Logging and Construction	2.9	3.2	3.3	3.7	4.5
Total Nonfarm	89.5	92.3	95.2	97.7	100.0
Farm	3.8	4.0	4.3	4.2	3.8
Total (all industries)	93.3	96.3	99.5	101.9	103.8

(1) Annually, as of January.

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 2016 Benchmark.*"

As of February 2017 the civilian labor force for the County was approximately 143,400 of whom 131,200 were employed. The unadjusted unemployment rate as of February 2017 was 8.5% for the County. Civilian labor force, employment and unemployment statistics for the County, the State and the United States, for the years 2012 through 2016 are shown in the following table:

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

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2012				
Santa Cruz County	Not Available			
California	18,523,800	16,602,700	1,921,100	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
Santa Cruz County	Not Available			
California	18,624,300	16,958,700	1,665,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
Santa Cruz County	Not Available			
California	18,755,000	17,348,600	1,406,400	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
Santa Cruz County	144,200	133,400	10,800	7.5
California	18,893,200	17,723,300	1,169,900	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
Santa Cruz County	144,500	134,600	10,000	6.9
California	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9

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

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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 Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 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 Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the 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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 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.

FISCAL AGENT AGREEMENT

Dated as of June 1, 2017

by and between the

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Fiscal Agent

Relating to:

$[________]
Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1
2017 Special Tax Bonds

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FISCAL AGENT AGREEMENT

$[_____]
Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1
2017 Special Tax Bonds

THIS FISCAL AGENT AGREEMENT (this "Agreement") is made and entered into and dated as of June 1, 2017, by and between Santa Cruz Libraries Facilities Financing Authority (the "Authority") for and on behalf of the Authority's Community Facilities District No. 2016-1 (the "District"), and The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent").

RECITALS

A. The City of Santa Cruz, the City of Scotts Valley, the City of Capitola and the County of Santa Cruz previously entered into an Amended and Restated Joint Exercise of Powers Agreement dated as of February 28, 2017, in order to establish a joint powers authority under the Joint Powers Act (as herein defined) for the purpose of financing the acquisition, construction and improvement of public library facilities through the formation of a community facilities district.

B. The Board of the Authority (the "Board") has formed the District under the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311, et seq. of the California Government Code) (the "Act") and Resolution No. 2016-001 of the Board adopted on February 11, 2016 (the "Resolution of Formation").

C. The Board, as the legislative body of the District, is authorized under the Act to levy special taxes to pay for the costs of facilities within the District and to authorize the issuance of bonds secured by said special taxes under the Act.

D. Under the Act, on [May 4], 2017, the Board of the Authority adopted its Resolution No. [_____] (the "Resolution"), authorizing the issuance and sale of the Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 2017 Special Tax Bonds (the "Bonds"), in an aggregate principal amount not to exceed $67,000,000 provided that such issuance would be in accordance with the Act and this Agreement, and authorized the execution hereof.

E. It is in the public interest and for the benefit of the Authority, the District and the owners of the Bonds (the "Owners") that the Authority enter into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and the administration and payment of the Bonds.

F. All things necessary to cause the Bonds, when executed by the Authority and issued as in the Act, the Resolution and this Agreement to be legal, valid and binding, and special obligations of the Authority in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, IN CONSIDERATION of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I
STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the provisions of the Act and the Resolution.

Section 1.02. Agreement for Benefit of Owners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority are for the equal benefit, protection and security of the Owners. All of the Bonds, without regard to the time or times of their issuance or maturity, will be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement. The Fiscal Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

Section 1.03. Definitions. Unless the context otherwise requires, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, the terms defined in this Section 1.03 have the meanings herein specified. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"***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 Superintendent 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 this Agreement;

(E) the costs incurred by the Authority in complying with the disclosure requirements of applicable federal and state securities laws, Government Code Section 50075.1, et seq., and of the Act, the Authority's Continuing Disclosure Certificate and this 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) any amounts required to be rebated to the federal government in order for the Authority to comply with Section 5.10;

(H) an allocable share of the salaries of the Authority staff directly relating to all of the foregoing;

(I) amounts advanced by the Authority for Administrative Expenses or any other purposes related to the administration of the District;

(J) costs related to the prepayment, discharge or satisfaction of Special Taxes; and

(K) 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 by Section 4.07(A) hereof.

"***Administrative Expense Requirement***" means, for Fiscal Year 2017-18, $100,000, which shall increase each Fiscal Year by 5% of the amount in effect for the prior Fiscal Year.

"***Agreement***" means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

"***Annual Debt Service***" means, for each Bond Year, the sum of

(A) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds and Parity Bonds are retired as scheduled (including by reason of Section 2.03(A)(iii) 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 under Section 2.03(A)(iii)).

"***Auditor***" means the Auditor-Controller Treasurer Tax Collective 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 fees from funds for services rendered, (ii) the Fiscal Agent collects fees for services rendered pursuant to this Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this 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; or

(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.

"***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.

"***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 by Section 4.05(A).

"***Bond Register***" means the books for the registration and transfer of Bonds maintained by the Fiscal Agent under Section 2.08.

"***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 will begin on the Closing Date and end on September 1, 2017.

"***Bonds***" means Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds.

"***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 [______], 2017, being the date upon which there is delivery of the Bonds in exchange for the amount representing the purchase price of the 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 and acknowledged and consented to by 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 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 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 Bonds; charges for execution, transportation and safekeeping of the Bonds; and other costs, charges and fees in connection with the foregoing.

"***Costs of Issuance Fund***" means the fund by that name established by Section 4.03(A).

"***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 by reason of Sections 2.02(D) and 2.03(A)(iii) 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 pursuant to Section 2.13.

"***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 Section 7.01.

"***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 therein, established pursuant to Section 4.02(A) hereof.

"***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.

"***Interest Payment Dates***" means March 1 and September 1 of each year, commencing March 1, 2018.

"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 the Parties.

"Joint Powers Act" means the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 of the California Government Code, commencing with Section 6500 of said Code.

"***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 pursuant to Section 4.06(B), the proceeds of the Special Taxes received by the Authority, including any scheduled payments, interest thereon, collections of any delinquent Special Taxes, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. "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 (subject to the provisions of Section 8.04) 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 within the meaning of Section 9.03; 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 this 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, on a parity with any then-Outstanding Bonds, pursuant to Section 2.14.

"***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 set forth in Section 9.06 or such other or additional offices as may be designated by the Fiscal Agent.

"***Project***" means the facilities more particularly described in the Resolution of Formation.

"***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.

"***Representation Letter***" means the representation letter between the Authority and DTC dated [_______], 2017.

"***Reserve Fund***" means the fund by that name established pursuant to Section 4.04(A) hereof.

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

(i) the then-Maximum Annual Debt Service,

(ii) 125% of the then average Annual Debt Service, or

(iii) 10% of the initial principal amount of the Bonds and any Parity Bonds issued hereunder.

"***Resolution***" means Resolution No. [_____], adopted by the Board on [May 4], 2017, authorizing issuance of the Bonds.

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

"***S&P***" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, 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 by Section 4.06(A).

"***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 Section 4.05(A).

"***Special Tax Remainder Account***" means the account by that name within the Special Tax Fund established by Section 4.06(A).

"***Special Taxes***" means the special taxes levied within the District pursuant to the Act, the Rate and Method of Apportionment, the Ordinance and this 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 this Agreement, but only if and to the extent that such agreement is specifically authorized under this 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.

ARTICLE II

THE BONDS

Section 2.01. Principal Amount; Designation. Bonds in the aggregate principal amount of $[______] are hereby authorized to be issued by the Authority under and subject to the terms of the Resolution and this Agreement, the Act and other applicable laws of the State of California.

The Bonds shall be designated as the "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds."

Section 2.02. Terms of the Bonds.

(A) **Form; Denominations.** The Bonds shall be issued as fully registered Bonds without coupons in the denomination of $5,000 or any integral multiple in excess thereof.

(B) **Date of Bonds.** The Bonds shall be dated the Closing Date.

(C) **CUSIP Identification Numbers.** "CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers will not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the Authority or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the Authority's contract with such Owners and shall not impair the effectiveness of any such notice.

(D) **Maturities, Interest Rates.** The Bonds shall mature and become payable on September 1 in each of the years, and shall bear interest at the rates per annum, as follows:

Maturity Date (September 1)	Principal Amount	Interest Rate
Serial Bonds		

Maturity Date (September 1)	Principal Amount	Interest Rate

Term Bonds

(E) **Interest**. The Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 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 Record Date preceding such Interest Payment 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 Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) **Method of Payment**. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at the registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer (i) to the Depository (so long as the Bonds are in book-entry form pursuant to Section 2.13), or (ii) to an account within the United States made on such Interest Payment Date upon written instructions of any Owner of $1,000,000 or more in aggregate principal amount of Bonds, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The principal of the Bonds and any premium on the Bonds are payable by check in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and issue a certificate of destruction thereof to the Authority.

Section 2.03. Redemption.

(A) Redemption.

(i) Optional Redemption. The Bonds maturing on or after September 1, 2028, are subject to optional call and redemption prior to maturity, on any date on or after September 1, 2027, as a whole or in part among such maturities as are selected by the Authority and by lot within a maturity, from funds derived by the Authority from any source, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

(ii) *Special Mandatory Redemption from Prepaid Special Taxes*. The Bonds are subject to mandatory 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 Interest Payment Date, from amounts in the Special Tax Prepayments Account available to redeem Bonds under this Agreement, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

Redemption Date	Redemption Price
September 1, 20[__] through March 1, 20[__]	103%
September 1, 20[__] and March 1, 20[__]	102
September 1, 20[__] and March 1, 20[__]	101
September 1, 20[__] and any Interest Payment Date thereafter	100

(iii) *Mandatory Sinking Payment Redemption*. The Bonds maturing on September 1, 20[__], are subject to mandatory sinking payment redemption before maturity on September 1, 20[__], and on each September 1 thereafter to and including September 1, 20[__], at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, as follows:

20[__] Term Bonds

Sinking Fund Redemption Date (September 1)	Sinking Payments

The Bonds maturing on September 1, 20[__], are subject to mandatory sinking fund redemption before maturity on September 1, 20[__], and on each September 1 thereafter to and including September 1, 20[__], at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, as follows:

20[__] Term Bonds

Sinking Fund Redemption Date (September 1)	Sinking Payments

The amounts in the foregoing tables shall be reduced pro rata as a result of any prior partial optional redemption of the Bonds under Section 2.03(A)(i) or partial mandatory redemption of the Bonds under Section 2.03(A)(ii), as specified by the Treasurer to the Fiscal Agent.

(B) *Notice to Fiscal Agent.* The Authority shall give the Fiscal Agent written notice of its intention to redeem Bonds pursuant to Section 2.03(A)(i) or Section 2.03(A)(ii) not less than 45 days prior to the applicable redemption date and shall specify the principal amount of Bonds to be redeemed.

(C) *Purchase of Bonds in Lieu of Redemption.* In lieu of any redemption under Section 2.03(A), 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 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 and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with this Agreement.

(D) *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, to the Information Service, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall

(i) state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption;

(ii) state as to any Bond called in part the principal amount thereof to be redeemed;

(iii) require that the 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 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 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 Bonds being redeemed with the proceeds of such check or other transfer.

Upon surrender of Bonds redeemed in part only, the Authority shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the Authority, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(E) *Selection of Bonds for Redemption*. Whenever provision is made in this Agreement for the redemption of less than all of the Bonds of a single maturity of the same issue, the Fiscal Agent shall select the 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 Bond as consisting of separate $5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

(F) *Conditional Redemption Notice and Rescission of Redemption*. Any notice of optional redemption under Section 2.03(A)(i) may specify that redemption of the 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 Bonds, or any other party, as a result of the Authority's failure to redeem the Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the Authority may rescind any optional redemption of the Bonds under Section 2.03(A)(i), 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 Bonds so called for redemption. Notice of 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 Bond of notice of such 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 rescission. Neither the Authority nor the Fiscal Agent will have any liability to the Owners of any Bonds, or any other party, as a result of the Authority's decision to rescind a redemption of any Bonds pursuant to this Agreement.

(G) *Effect of Redemption*. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this 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.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and issue a certificate of destruction thereof to the Authority.

Section 2.04. Form of Bonds. The Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Act.

Section 2.05. Execution and Authentication. The Bonds shall be signed on behalf of the Authority by an Authorized Officer, in their capacities as officers of the Authority, and the seal of the Authority, if any, or a facsimile thereof may be impressed, imprinted, engraved or otherwise reproduced thereon.

If any one or more of the officers who have signed any of the Bonds cease to be such officer before the Bonds so signed have been authenticated and delivered by the Fiscal Agent (including new bonds delivered pursuant to this provision hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds shall nevertheless be valid and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office.

Only such Bonds as bear thereon such certificate of authentication duly executed by the Fiscal Agent shall be entitled to any right or benefit under this Agreement, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication has been duly executed by the Fiscal Agent.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the Authority. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds are surrendered for transfer, the Authority shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount of authorized denominations.

No transfers of Bonds will be required to be made (i) 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same series and maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the Authority. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds will be required to be made (i) 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.08. Bond Register. The Fiscal Agent will keep or cause to be kept, at its Principal Office, sufficient books for the registration and transfer of the Bonds, which books shall show the series number, date, amount, rate of interest and last known Owner of each Bond and shall at all times be open to inspection by the Authority during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

The Authority and the Fiscal Agent will treat the owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the Authority and the Fiscal Agent shall not be affected by any notice to the contrary. The Authority and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond Register for any and all purposes.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the Authority, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the Authority upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds will be entitled to the same benefits under to this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.10. Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond becomes mutilated, the Authority, at the expense of the Owner of the mutilated Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the mutilated Bond, but only upon surrender to the Fiscal Agent of the mutilated Bond. Every mutilated Bond surrendered to the Fiscal Agent shall be canceled and destroyed by the Fiscal Agent, who shall deliver a certificate of destruction to the Authority.

If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and the Owner indemnifies the Authority and the Fiscal Agent in a form satisfactory to the Fiscal Agent, the Authority, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the lost, destroyed or stolen Bond.

The Authority may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section 2.10 and of the expenses which may be incurred by the Authority and the Fiscal Agent for the preparation, execution, authentication and delivery.

Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.11. Limited Obligation. All obligations of the Authority under this Agreement and the Bonds shall be special obligations of the Authority, payable solely from the Net Special Taxes and the funds pledged therefor hereunder. Neither the faith and credit nor the taxing power of the Authority (except to the limited extent set forth herein) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 2.12. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Bonds under Section 2.03, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03.

Section 2.13. Book-Entry System.

(A) All Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each maturity date of the Bonds. Upon initial issuance, the ownership of each Bond shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. Except as provided in Section 2.13(d) hereof, all Outstanding Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC.

(B) With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, the Authority and the Fiscal Agent shall have no responsibility or obligation with respect to

(i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds,

(ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or

(iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Bond Register, of any amount with respect to principal of, premium, if any, and interest on the Bonds.

The Authority and the Fiscal Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever.

The Fiscal Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Bond Register, as provided in Section 2.08 hereof, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a certificated Bond evidencing the obligation of the Authority to make payments of principal, premium, if any, and interest pursuant to this Agreement.

Upon delivery by DTC to the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Agreement shall refer to such new nominee of DTC.

(C) The delivery of the Representation Letter by the Authority and the Fiscal Agent shall not in any way limit the provisions of Section 2.13(b) hereof or in any other way impose upon the Authority or the Fiscal Agent any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond Register. The Fiscal Agent shall take all action necessary for all representations in the Representation Letter with respect to the Fiscal Agent to be complied with at all times.

(D) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Authority and the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law.

(E) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Authority determines that:

(i) DTC is unable to discharge its responsibilities with respect to the Bonds, or

(ii) a continuation of the requirement that all Outstanding Bonds be registered in the Bond Register in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of such Bonds.

(F) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (E) above, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (D) above after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Authority is obligated to deliver Bond certificates, as described in this Agreement and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names DTC shall designate to the Fiscal Agent in writing, in accordance with the provisions of this Agreement.

(G) Notwithstanding any other provisions of this Agreement to the contrary, as long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal or, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

Section 2.14. Parity Bonds. The Authority on behalf of the District may, at any time after the issuance and delivery of the Bonds hereunder, issue (and the Fiscal Agent shall upon a Written Request of the Board authenticate and deliver) Parity Bonds secured by a lien and charge upon the Net Special Taxes and the respective funds and accounts established hereunder equal to and on a parity with the lien and charge securing the Outstanding Bonds and any Parity Bonds issued, authenticated and delivered prior thereto pursuant to this Agreement and a Supplemental Agreement consistent with this Agreement, but only upon satisfaction of the following specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) Current Compliance. The Authority shall be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in this Agreement and all Supplemental Agreements, and, except with respect to Parity Bonds that are Refunding Bonds, the principal amount of the Parity Bonds shall not cause the District to exceed the maximum authorized indebtedness of the CFD under the provisions of the Act.

(b) Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on March 1 and September 1, and principal thereof shall be payable on September 1 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(c) Funds and Accounts; Reserve Fund Deposit. The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts, and shall provide for a deposit to the Reserve Fund (or to a separate account created for such purpose) in an amount necessary so that the amount on deposit in the Reserve Fund (together with the amount in any such separate account), following the issuance of such Parity Bonds, is equal to the Reserve Requirement.

(d) Maximum Special Taxes. The Authority shall certify that the Maximum Special Taxes to be levied in every year, less the Administrative Expense Requirement for such year, are at least equal to 110% of the debt service payable on the Outstanding amount of the Bonds and the Parity Bonds to be issued in every such year.

(e) Property Value-to-Lien Ratio. The fair market value of the Taxable Property (including the then-existing private improvements thereon), as determined by assessed valuation as shown on the most recent equalized assessment roll of the County Assessor is equal to at least three times the sum of (1) the aggregate principal amount of all Outstanding Bonds following issuance of the Parity Bonds plus (2) the aggregate principal amount of all special assessment bonds then outstanding and payable from special assessments levied on the Taxable Property plus (3) the proportion of the aggregate principal amount of any other special tax bonds issued under the Act and then outstanding which are payable from special taxes to be levied on the Taxable Property.

(f) Officer's Certificate. The Authority shall deliver to the Fiscal Agent a Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (a) through (e) of this Section have been satisfied. In delivering such certificate, the Authorized Officer that executes the same may conclusively rely upon such certificates of the Fiscal Agent and others selected with due care, without the need for independent inquiry or certification.

Nothing in this Section 2.14 shall prohibit the District from issuing bonds for the CFD or otherwise incurring debt for the CFD secured by a pledge of Special Tax Revenues subordinate to the pledge thereof under Section 4.01 of this Agreement.

The foregoing provisions of this Section shall not apply to the issuance of any series of Parity Bonds under the following circumstances:

(i) following the issuance and delivery of the Parity Bonds, none of the Bonds previously issued, exclusive of the Parity Bonds, will remain Outstanding; or

(ii) following the issuance and delivery of the Parity Bonds, there will be no increase in Debt Service on the Outstanding Bonds, including the Parity Bonds, by reason of issuance of the Parity Bonds, in any Bond Year to and including the Bond Year of the scheduled retirement of the last maturing Outstanding Bonds.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of Bonds. At any time after the execution of this Agreement, the Authority may issue the Bonds in the aggregate principal amount set forth in Section 2.01 and deliver the Bonds to the Original Purchaser.

The Authorized Officers of the Authority are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the proceeds of the Bonds and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser.

Section 3.02. Pledge of Special Taxes. The Bonds shall be secured by a first pledge (which shall be effected in the manner and to the extent herein provided) of all of the Net Special Taxes and all moneys deposited in the Bond Fund and the Reserve Fund and, until disbursed as provided herein, in the Special Tax Fund.

The Net Special Taxes and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act 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 Section 9.03.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and 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 hereunder.

Section 3.03. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not depend upon the completion of the acquisition of the Project or upon the performance by any person of such person's obligations with respect to the Project.

ARTICLE IV

FUNDS AND ACCOUNTS

Section 4.01. Deposits of Bond Proceeds. The net proceeds of the purchase of the Bonds by the Original Purchaser in the amount of $[______] (calculated as the principal amount of the Bonds of $[______].00, [plus/less] net original issue [premium/discount] of $[_____]) shall be paid to the Fiscal Agent on the Closing Date, who shall immediately set apply such proceeds as follows:

(A) $[_____] to the Reserve Fund (being an amount equal to the Reserve Requirement as of the Closing Date);

(B) $[_____] to the Costs of Issuance Fund;

(C) $[_____] to the Improvement Fund, which shall be allocated to the following accounts within the Improvement Fund;

(i) $[_____] to the County of Santa Cruz Account

(ii) $[_____] to the City of Santa Cruz Account

(iii) $[_____] to the City of Capitola Account

(iv) $[_____] to the City of Scotts Valley Account

(D) The Original Purchaser previously deposited with the Fiscal Agent a good faith deposit in the amount of $[______] which the Fiscal Agent shall deposit in each account of the Improvement Fund based on the proportional share of Bond proceeds allocated to each account of the Improvement Fund pursuant to Section 4.01(C) above.

Section 4.02. Improvement Fund.

(A) *Establishment of Improvement Fund*. The Improvement Fund is hereby established as a separate fund to be held by the Fiscal Agent, designated as the "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds Improvement Fund."

Within the Improvement Fund, there is hereby established four accounts (each an "Account"), designated as the "County of Santa Cruz Account," the "City of Santa Cruz Account," the "City of Capitola Account," and the "City of Scotts Valley Account."

The Fiscal Agent shall credit to each Account the deposits required by Section 4.01(C). Further deposits into the Improvement Fund shall be made as provided in Section 4.02(C) and Section 4.03(C).

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.

(B) *Procedure for Disbursement*. Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of a written direction of an Authorized Officer in the form attached hereto as Exhibit B.

(C) *Investment*. Moneys in the Improvement Fund shall be invested in accordance with Section 6.01. Interest earnings and profits from such investment shall be deposited and credited by the Fiscal Agent to each Account within the Improvement Fund.

(D) *Closing of Fund*. Upon the filing of written direction of an Authorized Officer stating that the Project has been completed and that all costs of the Project have been paid, or that any such costs are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund to be used to pay Debt Service on the Bonds on the next Interest Payment Date. Upon such transfer, the Improvement Fund shall be closed.

Section 4.03. Costs of Issuance Fund.

(A) *Establishment of Costs of Issuance Fund*. The Costs of Issuance Fund is hereby established, as a separate fund to be held by the Fiscal Agent, designated as the "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds, Costs of Issuance Fund," to the credit of which a deposit shall be made as required by Section 4.01(B).

Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) *Disbursement*. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition in the form attached hereto as Exhibit C 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. The Fiscal Agent shall pay all Costs of Issuance after receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee pursuant to a requisition requesting payment of Costs of Issuance.

(C) *Closing of Fund*. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days after the Closing Date and then shall transfer any moneys remaining therein not required for payment of Costs of Issuance, including any investment earnings thereon, to the Accounts within the Improvement Fund in amounts based on the proportional share of Bond proceeds allocated to each Account of the Improvement Fund pursuant to Section 4.01(C) above. Upon such transfer, the Costs of Issuance Fund shall be closed.

(D) *Investment*. Moneys in the Costs of Issuance Fund shall be invested in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

Section 4.04. Reserve Fund.

(A) *Establishment of Fund*. The Reserve Fund is hereby established as a separate fund to be held by the Fiscal Agent, designated as the "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds, Reserve Fund," to the credit of which a deposit shall be made as required by Section 4.01(A) equal to the Reserve Requirement as of the Closing Date, and deposits shall be made as provided in Section 4.06(B).

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

(B) *Use of Reserve Fund*. Except as otherwise provided in this Section, all amounts deposited in 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 and any premium on, the Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming Bonds.

(C) *Transfer Due to Deficiency in Bond Fund*. Whenever transfer is made from 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.

(D) *Transfer of Excess of Reserve Requirement*. Whenever, on the Business Day prior to any Interest Payment Date, or on any other date at the request of an Authorized Officer, the amount in the Reserve Fund exceeds the Reserve Requirement (including interest earnings), the Fiscal Agent shall provide written notice to an Authorized Officer of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on and principal of the Bonds on the next Interest Payment Date in accordance with Section 4.05.

(E) *Transfer When Balance Exceeds Outstanding Bonds*. Whenever the balance in the Reserve Fund and the Bond Fund equals or exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall upon the written direction of an Authorized Officer transfer the amount in the Reserve Fund to the Bond Fund to be applied on the next succeeding Interest Payment Date to the payment and redemption, in accordance with Sections 2.03 and 4.05, as applicable, of all of the Outstanding Bonds. If the amount transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the Authority to be used for any lawful purpose of the Authority.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to this Section 4.04(E) until after (i) the calculation of any amounts due to the federal government pursuant to Section 5.10 following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

(F) *Transfer Upon Special Tax Prepayment*. Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to Section 2.03(A)(ii), a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original aggregate principal amount of the Bonds, and calculated with reference to the calculation of the Special Tax Prepayment amount in the Rate and Method) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds pursuant to Section 2.03(A)(ii); provided, however, that such amount shall be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement (excluding from the calculation thereof said Bonds to be redeemed) following such transfer. The Authority shall deliver to the Fiscal Agent a certificate specifying the amount of such transfer.

(G) *Investment and Transfer to Pay Rebate*. Moneys in the Reserve Fund shall be invested in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained in the Reserve Fund and (to the extent the balance in the Reserve Fund is otherwise equal to or greater than the Reserve Requirement) may at any time be used, at the written direction of an Authorized Officer, for purposes of paying any rebate liability under Section 5.10. Amounts not so used shall be transferred to the Bond Fund.

Section 4.05. Bond Fund.

(A) *Establishment of Bond Fund, Special Tax Prepayments Account*. The Bond Fund is hereby established as a separate fund to be held by the Fiscal Agent, designated as the "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds, Bond Fund," to the credit of which deposits shall be made as required by Sections 4.02(D), 4.04(B), 4.04(D), 4.04(E) and 4.06(B), and any other amounts required to be deposited therein by this Agreement or the Act.

There is also hereby created in the Bond Fund the following separate account:

(i) an account held by the Fiscal Agent and designated as the "Special Tax Prepayments Account," to the credit of which deposits shall be made as provided in Section 4.06(A).

Moneys in the Bond Fund and the accounts 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.

(B) *Disbursements*.

(i) *Bond Fund Disbursements*. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners the principal, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in Section 2.03(A)(iii) or a mandatory redemption of the Bonds from Special Tax prepayments required by Section 2.03(A)(ii), such payments to be made in the priority listed in the second succeeding paragraph of this Section. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer pursuant to Section 4.02(D) or 4.04(D) shall be used to pay the principal of and interest on the Bonds prior to the use of any other amounts in the Bond Fund for such purpose.

If amounts in the Bond Fund are insufficient for the purposes set forth in the preceding paragraph, the Fiscal Agent shall withdraw from the Reserve Fund, to the extent of any funds therein, amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make all of the payments provided for in the first sentence of the first paragraph of this Section, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

(ii) *Special Tax Prepayments Account Disbursements*. Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption can timely be given for redemption of Bonds under Section 2.03(A)(ii), and notice to the Fiscal Agent can timely be given under Section 2.03(B), and shall be used (together with any amounts transferred pursuant to Section 4.04(F)) to redeem Bonds on the redemption date selected in accordance with Section 2.03.

(C) *Investment*. Moneys in the Bond Fund and the Special Tax Prepayments Account shall be invested in accordance with Section 6.01. 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.

Section 4.06. Special Tax Fund.

(A) *Establishment of Special Tax Fund and Special Tax Remainder Account*. The Special Tax Fund is hereby established as a separate fund to be held by the Fiscal Agent, to be designated the "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds, Special Tax Fund," to the credit of which the Authority will cause all Special Taxes received by the Authority to be deposited; provided that any proceeds of Special Tax Prepayments in excess of $40,000 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 Section 4.05(A).

Moneys in the Special Tax Fund shall be held in trust by the Fiscal Agent 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.

The Fiscal Agent shall establish an account known as the Special Tax Remainder Account into which the Fiscal Agent shall make the deposits as set forth in Section 4.06(B).

(B) *Disbursements*. From time to time as needed to pay the obligations of the Authority, but no later than the Business Day before each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts 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, pursuant to Sections 4.02(D), 4.04(F) and 4.05(B)(ii), such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on the next Interest Payment Date;

(iii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement;

(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.

The amounts the Authorized Officer directs the Fiscal Agent to transfer from time to time to 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.

At any time following the deposit of Special Taxes in an amount sufficient to make payment of all of the foregoing deposits for the current Bond Year, any amounts in excess of such amounts remaining in the Special Tax Fund shall, upon the written direction of an Authorized Officer, be transferred by the Fiscal Agent to the Special Tax Remainder Account to be used for any lawful purpose under the Act and released upon the written direction of an Authorized Officer.

In the absence of such written direction, 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; provided however, that in no event shall such amounts be invested at a yield in excess of the yield on the Bonds.

(C) *Investment*. Moneys in the Special Tax Fund shall be invested in accordance with Section 6.01. 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.

Section 4.07. Administrative Expense Fund.

(A) *Establishment of Administrative Expense Fund*. The Administrative Expense Fund is hereby established as a separate fund to be held by the Fiscal Agent, designated as the "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds, Administrative Expense Fund," to the credit of which deposits shall be made as required by Section 4.06(B).

Moneys in the Administrative Expense Fund shall be held in trust by the Fiscal Agent for the benefit of the Authority, and shall be disbursed as provided below.

(B) *Disbursement*. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the Authority or its order upon receipt by the Fiscal Agent of requisition of an Authorized Officer in the form attached hereto as Exhibit D 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.

(C) *Investment*. Moneys in the Administrative Expense Fund shall be invested in accordance with Section 6.01. 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.

ARTICLE V

OTHER COVENANTS OF THE AUTHORITY

Section 5.01. 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 this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and of all Supplemental Agreements and of the Bonds.

Section 5.02. 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 hereunder, to the benefits of this 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.

Section 5.03. 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 herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.04. 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: (i) to the expenditure of amounts disbursed from the Administrative Expense Fund and the Special Tax Fund; and (ii) 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 (who shall have no duty to inspect) and the Owners or their representatives duly authorized in writing.

The Fiscal Agent shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions of the Fiscal Agent relating to the expenditure of amounts disbursed from all of the funds held by the Fiscal Agent under this Agreement. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Authority and the Owners or their representatives duly authorized in writing upon reasonable notice to the Fiscal Agent.

The Fiscal Agent may establish additional accounts and subaccounts as the Fiscal Agent deems necessary.

Section 5.05. 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.

Section 5.06. Compliance with Law. The Authority shall comply with all applicable provisions of the Act and law in completing the construction and acquisition of the Project.

Section 5.07. 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.

On or within 5 Business Days of each June 1, the Fiscal Agent shall provide an Authorized Officer with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund, and informing the Authority of the amount needed to provide for Annual Debt Service, Administrative Expenses known to the Fiscal Agent, and replenishment (if necessary) of the Reserve Fund so that the balance therein equals the Reserve Requirement. The receipt of or failure to receive such notice by an Authorized Officer shall in no way affect the obligations of the Authorized Officer under the following two paragraphs, and the Fiscal Agent shall not be responsible for any inability or failure to provide such notice. Upon receipt of such notice, the Authorized Officer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

An Authorized Officer shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 10 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, an Authorized Officer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

An Authorized Officer shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any Outstanding Bonds of the Authority becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses (including amounts necessary to discharge any obligation under Section 5.10) during such year. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected 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 time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem 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 as aforesaid. Such direct mail billing shall be made not later than November 1 of the Fiscal Year and shall direct the owner of the property affected to pay the Special Taxes directly to the Authority in two equal installments, the first of which will be due and delinquent if not paid on December 10 and the second of which may be paid with the first and which, in any event, will be due and delinquent if not paid on April 10 of the Fiscal Year. Any such Special Taxes so billed shall have the same priority and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Section 5.08. Covenant to Foreclose. The Authority shall not be 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 tax 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.

Section 5.09. 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 this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.10. Tax Covenants.

(A) *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 Bonds to become includable in gross income for federal income tax purposes.

(B) *Private Activity Bond Limitation*. The Authority shall assure that the proceeds of the Bonds are not used in a manner which would cause the 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.

(C) *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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(D) *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 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 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(E) *Rebate of Excess Investment Earnings*. The Authority shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the 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 Bonds, records of the determinations made under this subsection (e).

The Fiscal Agent has no duty to monitor the compliance by the Authority with any of the covenants contained in this Section 5.10.

Section 5.11. Reporting Requirements.

(A) *Continuing Disclosure*. The Authority hereby 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 this Agreement, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered a default hereunder; however, any Participating Underwriter or any holder or beneficial owner of the 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.

(B) *Annual Reporting*. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the 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 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.

Additionally, 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.

(C) *Other Reporting*. If at any time the Fiscal Agent fails to pay principal and interest due or any portion thereof on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds, the Fiscal Agent shall notify an

Authorized Officer of such failure or withdrawal in writing. An Authorized Officer shall notify CDIAC and the Original Purchaser of such failure or withdrawal within 10 days of such failure or withdrawal.

(D) *Amendment.* The reporting requirements of this Section shall be amended from time to time, without action by the Authority or the Fiscal Agent, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the Authority's obligations under Sections 3 or 4 of the Continuing Disclosure Certificate.

(E) *No Liability.* None of the Authority and its officers, agents and employees, the Authorized Officers, or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.07.

An Authorized Officer shall provide copies of any of such reports to any Owner upon the written request of an Owner and payment by the requesting Owner of the cost of the Authority to produce such information and payment of any postage or other delivery cost to provide the same, as determined by the Authorized Officer. The term "Owner" for purposes of this Section shall include any beneficial owner of the Bonds.

Section 5.12. Reduction of Special Taxes. The Authority shall not conduct or consent to proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District on Developed Property below an amount, for any Fiscal Year, equal to the Administrative Expense Requirement plus 110% of Annual Debt Service in such Fiscal Year. It is hereby acknowledged that Owners are purchasing the Bonds in reliance on the foregoing covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

Section 5.13. 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 remaining Outstanding following such tender, assuming Special Taxes are levied in the future as provided hereunder.

Section 5.14. 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.

ARTICLE VI

INVESTMENTS

Section 6.01. Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by this 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 filed with the Fiscal Agent at least 2 Business Days in advance of the making of such investments. 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. An Authorized Officer shall make note of any investment of funds hereunder in excess of the yield on the Bonds, so that appropriate actions can be taken to assure compliance with Section 5.10.

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 this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the Authority to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Authorized Investments. Any Authorized Investments that are registrable securities shall be registered in the name of the Fiscal Agent.

The Fiscal Agent and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. The Fiscal Agent shall not incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.

The Fiscal Agent is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Fiscal Agent or for any third person or dealing as principal for its own account.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent hereunder, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

The Fiscal Agent shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with this Agreement.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the Authority periodic cash transaction statements that shall include detail for all investment transactions made by the Fiscal Agent hereunder.

Section 6.02. Valuation and Disposition of Investments..

(A) Except as otherwise provided in subsection (B) below, the Authority covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise 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 this Agreement or the Code) at Fair Market Value.

(B) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund will be valued at their present value (within the meaning of section 148 of the Code).

ARTICLE VII

THE FISCAL AGENT

Section 7.01. Appointment of Fiscal Agent. The Bank of New York Mellon Trust Company, N.A., is hereby appointed Fiscal Agent and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it is a party or any company to which the Fiscal Agent sells or transfers all or substantially all of its corporate trust business, provided such company is eligible under the following paragraph of this Section, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Upon thirty (30) days' prior written notice, the Authority may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having (or if such bank or trust company is a member of a bank holding company system its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice of its resignation to the Authority and the Owners. Upon receiving notice of the resignation, the Authority shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent is made pursuant to the foregoing provisions of this Section within 60 days after the Fiscal Agent has given to the Authority written notice or after a vacancy in the office of the Fiscal Agent has occurred by reason of its inability to act, the Fiscal Agent or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

If, by reason of the judgment of any court, or responsible agency, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Authority in trust for the benefit of the Owners. The Authority covenants for the direct benefit of the Owners that it shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners. In such event, an Authorized Officer may designate a successor Fiscal Agent qualified to act as Fiscal Agent hereunder.

Section 7.02. Liability of Fiscal Agent. The recitals of facts, covenants and agreements contained in this Agreement and in the Bonds shall be taken as statements, covenants and agreements of the Authority and the Fiscal Agent assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Agreement or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations assigned to or imposed upon it in this Agreement or in the Bonds. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

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 this Agreement; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document that it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent is not under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent 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 this 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 duties hereunder, or in the exercise of any of its rights or powers.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement unless such Owners have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the Owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

The Fiscal Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Fiscal Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Fiscal Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Fiscal Agent in its discretion elects to act upon such instructions, the Fiscal Agent's understanding of such instructions shall be deemed controlling. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Fiscal Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Fiscal Agent and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Fiscal Agent shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The Fiscal Agent may execute any of the trusts or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents, shall not be liable for the acts or omissions of such attorneys or agents appointed with due care, and shall be entitled to rely on advice of counsel concerning all matters of trust and its duty hereunder.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

Section 7.03. No Duty. The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

Section 7.04. Information. The Fiscal Agent shall provide to the Authority such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the Authority reasonably requests, including but not limited to quarterly statements reporting funds held and transactions by the Fiscal Agent; provided, that the Fiscal Agent shall not be obligated to provide an accounting for any fund or account that (a) has a balance of $0.00 and (b) has not had any activity since the last reporting date.

Section 7.05. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed in good faith by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by written certificate of the Authority, and such certificate shall be full warranty to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.06. Compensation, Indemnification. The Authority shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement and for all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. To the extent permitted by applicable law, the Authority further agrees to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless from and against any costs, expenses, claims or liabilities whatsoever, including without limitation fees and expenses of its attorneys, that it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the Authority under this Section will survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 8.01. Amendments Permitted. This 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 Section 8.04. 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 this Agreement), or (iii) reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

This 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 this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein 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 this Agreement, or in regard to questions arising under this Agreement, as the Authority and the Fiscal Agent may deem necessary or desirable, so long as the provisions are not inconsistent with this 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; and

(E) to modify, alter or amend the Rate and Method of Apportionment of the Special Taxes 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 Outstanding as of the date of such amendment.

Section 8.02. Owners; Meetings. The Authority may at any time call a meeting of the Owners. The Authority is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The Authority and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such Supplemental Agreement shall not become effective unless the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) have filed written consents with the Fiscal Agent and the Authority has mailed a notice to Owners as hereinafter provided in this Section. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereto unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the Authority has mailed the notice as hereinafter provided in this Section).

After the Owners of the required percentage of Bonds have filed their consents to the Supplemental Agreement, the Authority shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). The Authority shall file proof of the mailing of such notice with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement will become effective upon the Authority's filing the proof of mailing of such notice with the Fiscal Agent, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the Authority and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

Section 8.04. Disqualified Bonds. Bonds known to the Fiscal Agent to be owned or held for the account of the Authority, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and the Authority shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith; the respective rights, duties and obligations under this Agreement of the Authority and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments; and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued after Amendments. The Authority may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the Authority, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the Authority may select and designate for that purpose, a suitable notation shall be made on such Bond. The Authority may determine that new Bonds, so modified as in the opinion of the Authority is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the Authority, the Fiscal Agent and the Owners, any right, remedy, or claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements by and on behalf of the Authority contained in this Agreement shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor is Deemed Included In All References to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the Authority or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements by or on behalf of the Authority or the Fiscal Agent contained in this Agreement shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. 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 Sections 4.04 and 4.05 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 Sections 4.04 and 4.05, 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 this 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 this Agreement and all other obligations of the Authority under this 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 pursuant to Section 7.05, 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.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument that this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future owners of that Bond in respect of anything done or suffered to be done by the Authority or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, official, agent or employee of the Authority or the Fiscal Agent shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, official, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on Authority and Fiscal Agent. Any notice or demand that by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the Authority may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Authority with the Fiscal Agent) as follows:

Santa Cruz Library Facilities Financing Authority
117 Union Street
Santa Cruz, California 95060
Attention: Executive Director

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Authority to or on the Fiscal Agent may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the Authority) as follows (provided that any such notice shall not be effective until actually received by the Fiscal Agent):

The Bank of New York Mellon Trust Company, N.A.
____
____
_______, California 9_____

Section 9.07. [Reserved]

Section 9.08. Partial Invalidity. If any section, paragraph, sentence, clause or phrase of this Agreement is for any reason held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The Authority hereby declares that it would have adopted this Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.09. Unclaimed Moneys. Notwithstanding anything contained in this Agreement to the contrary, and subject to the escheat laws of the State, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds that remains unclaimed for 2 years after the date when the payments of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the Authority as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto, and the Owners shall look only to the Authority for the payment of the principal of, and interest and any premium on, such Bonds.

Section 9.10. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9.11. Conflict with Act. In the event of a conflict between any provision of this Agreement and any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.12. Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 9.13. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date required and no interest with respect to such payment shall accrue for the period from and after such date.

Section 9.14. Liability of Authority. The Authority shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The Authority shall not be liable in connection with the performance of its duties hereunder, 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 herein 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 Authority 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 Authority and conforming to the requirements of this Agreement. The Authority shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the Authority to expend or risk its own general funds or otherwise incur any financial liability in the performance of any of its obligations hereunder, 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.

The Authority may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Authority may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Authority shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Authority shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Authority, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, an Independent Financial Consultant or a Tax Consultant, and such certificate shall be full warrant to the Authority for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Authority may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 9.15. Employment of Agents by Authority. In order to perform its duties and obligations under this Agreement, the Authority may employ such persons or entities as it deems necessary or advisable. The Authority shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith under this Agreement, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

Section 9.16. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the Authority and the Fiscal Agent have caused this Agreement to be executed as of the date first above written.

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

By: ____________________________
Executive Director

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Fiscal Agent

By: ____________________________
Authorized Officer

EXHIBIT A

FORM OF BOND

No. $__________

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1
2017 SPECIAL TAX BOND

INTEREST RATE	MATURITY DATE	DATED	CUSIP
%	September 1, ____	[______], 2017	__________

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

The Santa Cruz Libraries Facilities Financing Authority (the "Authority") for and on behalf of the Authority's Community Facilities District No. 2016-1 (the "District") for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the District or from amounts in the funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Bond Date set forth above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on March 1 and September 1, commencing March 1, 2018, at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office (as defined in the Agreement referred to below) of The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed on each interest payment date to the registered owner hereof as of the close of business on the 15th day of the month preceding the month in which the interest payment date occurs, whether or not such day is a Business Day, (the "Record Date") at such registered owner's address as it appears on the registration books maintained by the Fiscal Agent, or (i) if the Bonds are in book-entry-only form, or (ii) otherwise upon written request filed with the Fiscal Agent prior to any Record Date by a registered owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to the depository for the Bonds or to an account in the United States designated by such registered owner in such written request, respectively.

The issuance of this Bond was approved by the qualified electors of the District pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311, et seq., of the California Government Code (the "Mello-Roos Act") for the purpose of financing the construction and acquisition of certain public library facilities within the District (the "Project"), and is one of the Bonds designated "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds" (the "Bonds") in the aggregate principal amount of $[_____]. The creation of the Bonds and the terms and conditions thereof are provided for by resolution adopted by the Board of the Authority, as legislative body of the Authority, on [May 4, 2017] (the "Resolution"), and the Fiscal Agent Agreement dated as of June 1, 2017 between the Authority and the Fiscal Agent (the "Agreement") and this reference incorporates the Resolution and the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Resolution is adopted and the Agreement is entered into under, and this Bond is issued under, and all are to be construed in accordance with, the laws of the State of California. All capitalized terms used herein, unless defined herein, shall have the meaning given such terms in the Agreement.

Pursuant to the Mello-Roos Act, the Agreement and the Resolution, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Mello-Roos Act to be collected within the District (the "Special Tax") and certain funds held under the Agreement.

Interest shall be calculated on the basis of a 360-day year composed of twelve 30 day months. Interest on this Bond shall be payable from the interest payment date next preceding the date of authentication hereof, unless (i) it is authorized on an interest payment date, in which event it shall bear interest for such interest payment date, or (ii) such date of authentication is after a Record Date but on or prior to an interest payment date, in which event interest will be payable from such interest payment date, or (iii) such date of authentication is prior to the first Record Date, in which event interest will be payable from the Dated Date set forth above; provided however, that if at the time of authentication of this Bond, interest is in default hereon, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment hereon.

Payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the Authority, as may be permitted by law. The Bonds do not constitute obligations of the Authority for which the Authority is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove.

The Bonds 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 Interest Payment Date on or after September 1, 20___, from funds derived by the Authority from any source, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

Redemption Date	Redemption Price
September 1, 20[__] through March 1, 20[__]	103%
September 1, 20[__] and March 1, 20[__]	102
September 1, 20[__] and March 1, 20[__]	101
September 1, 20[__] and any Interest Payment Date thereafter	100

The Bonds are subject to mandatory 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 Interest Payment Date on or after September 1, 20___, from amounts in the Special Tax Prepayments Account available to redeem Bonds under the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

Redemption Date	Redemption Price
September 1, 20[__] through March 1, 20[__]24	103%
September 1, 20[__] and March 1, 20[__]	102
September 1, 20[__] and March 1, 20[__]	101
September 1, 20[__] and any Interest Payment Date thereafter	100

The Bonds maturing on September 1, 20[__], are subject to mandatory sinking fund redemption before maturity on September 1, 20[__], and on each September 1 thereafter to and including September 1, 20[__], at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, as follows:

20[__] Term Bonds

Sinking Fund Redemption Date (September 1)	Sinking Payments

The Bonds maturing on September 1, 20[__], are subject to mandatory sinking fund redemption before maturity on September 1, 20[__], and on each September 1 thereafter to and including September 1, 20[__], at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, as follows:

20[__] Term Bonds

Sinking Fund Redemption Date (September 1)	Sinking Payments

The amounts in the foregoing tables shall be reduced as a result of any prior partial optional redemption of the Bonds, as specified by an Authorized Officer to the Fiscal Agent.

If less than all of the Bonds are redeemed, the Bonds shall be redeemed by lot within a maturity, and among maturities in the manner specified in the Agreement. Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owners order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date. Exchanges may only be made for Bonds in authorized denominations as provided in the Agreement.

The Agreement contains provisions permitting the Authority to make provision for the payment of the interest on, and the principal and premium, if any, of any of the Bonds so that the Bonds shall no longer be deemed to be outstanding under the terms of the Agreement.

The Agreement and the rights and obligations of the Authority thereunder may be modified or amended as set forth therein.

The Bonds are not general obligations of the Authority, but are limited obligations payable solely from the revenues and funds pledged therefor under the Agreement. Neither the faith and credit of the Authority or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication hereon endorsed have been dated and signed by the Fiscal Agent.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, Santa Cruz Libraries Facilities Financing Authority has caused this Bond to be signed by the _____________ by his or her manual or facsimile signature and countersigned by the manual or facsimile signature of the Secretary of the Board.

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

By: ________________________________

ATTEST:

By: ________________________________

Secretary of the Board of the
Santa Cruz Libraries Facilities Financing Authority

FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the Resolution and in the Agreement which has been authenticated on _______________, 2017.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Fiscal Agent

By: _______________________________
Authorized Officer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto
____
____
____ (Name, Address and Tax Identification or Social Security Number of Assignee) the within-registered Bond and hereby Irrevocably constitutes and appoints(s)
________________________________ ____________________________
attorney, to transfer the same on the registration books of the Fiscal Agent with full power of substitution in the premises.

Dated:

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.	Note: The signatures on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever

EXHIBIT B

$[_____]
Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1
2017 Special Tax Bonds

IMPROVEMENT FUND

PAYMENT REQUEST NO. ____

The Fiscal Agent is hereby requested to pay from the Improvement Fund established by the Fiscal Agent Agreement dated as of June 1, 2017 by and between the Fiscal Agent and Santa Cruz Libraries Facilities Financing Authority, to the person or corporation designated below as Payee, the sum set forth below such designations, in payment of a portion of the Improvement Fund Expenses described below.

The undersigned hereby certifies that:

(i) the disbursement is a proper expenditure from the Improvement Fund, and

(ii) no portion of the amount then being requested to be disbursed was set forth in any written direction previously filed requesting a disbursement.

Payee:

Amount:

Description of Project Cost:

Payee:

Amount:

Description of Project Cost:

DATED: ______________, 2017

Santa Cruz Libraries Facilities Financing Authority

By ______________________________
Authorized Officer

EXHIBIT C

$[_____]
Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1
2017 Special Tax Bonds

COSTS OF ISSUANCE

PAYMENT REQUEST NO. ____

The Fiscal Agent is hereby requested to pay from the Costs of Issuance Fund established by the Fiscal Agent Agreement dated as of June 1, 2017 by and between the Fiscal Agent and Santa Cruz Libraries Facilities Financing Authority, to the person or corporation designated below as Payee, the sum set forth below such designations, in payment of a portion of the Costs of Issuance described below. The amount shown below is due and payable under a purchase order or contract with respect to the Costs of Issuance described below, and has not formed the basis of any prior request for payment.

Payee:

Amount:

Description of Cost of Issuance:

Payee:

Amount:

Description of Cost of Issuance:

DATED: ________________, 2017

Santa Cruz Libraries Facilities Financing Authority

By ________________________________
Authorized Officer

EXHIBIT D

$[_____]
Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1
2017 Special Tax Bonds

ADMINISTRATIVE EXPENSE

PAYMENT REQUEST NO. ____

The Fiscal Agent is hereby requested to pay from the Administrative Expense Fund established by the Fiscal Agent Agreement dated as of June 1, 2017 by and between the Fiscal Agent and Santa Cruz Libraries Facilities Financing Authority, to the person or corporation designated below as Payee, the sum set forth below such designations, in payment of a portion of the Administrative Expenses described below. The amount shown below is due and payable under a purchase order or contract with respect to the Administrative Expenses described below, and has not formed the basis of any prior request for payment.

Payee:

Amount:

Description of Administrative Expense:

Payee:

Amount:

Description of Administrative Expense:

DATED: ________________, 2017

Santa Cruz Libraries Facilities Financing Authority

By ____________________________
Authorized Officer

OFFICIAL NOTICE OF SALE

$[_______]*
SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1
2017 SPECIAL TAX BONDS

NOTICE IS HEREBY GIVEN that electronic bids will be received in the manner described below through the Ipreo LLC's BiDCOMP™/PARITY® System ("**Parity**") by the Santa Cruz Libraries Facilities Financing Authority (the "**Authority**") for the purchase of the special tax bonds captioned above (the "**Bonds**"). Bidding procedures and sale terms are as follows:

Issue: The Bonds are described in the Authority's Preliminary Official Statement for the Bonds dated [____], 2017 (the "**Preliminary Official Statement**").

Time: Bids for the Bonds must be received by the Authority by 9:30 a.m., California time, on May 16, 2017.

Place: Electronic bids must be submitted in the manner and subject to the terms and conditions described under "TERMS OF SALE—Form of Bids; Delivery of Bids" below, but no bid will be received after the time for receiving bids specified above.

THE RECEIPT OF BIDS ON MAY 16, 2017, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE AUTHORITY THROUGH THOMSON REUTERS AND BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS DESCRIBED IN "TERMS OF SALE—FORM OF BIDS; DELIVERY OF BIDS" BELOW) AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids shall be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from the Authority's municipal advisor (the "**Municipal Advisor**"),:

Harrell & Company Advisors
333 City Blvd. West, Suite 1215
Orange, California 92868
Telephone: 714-939-1464
attention: Suzanne Harrell
email: s.harrell@harrellco.com

<u>However</u>, failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE—Postponement or Cancellation of Sale."

The Authority reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amounts; provided, that any such modification or amendment will be communicated to potential bidders through the News Services and/or Parity not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. Bidders are required to bid upon the Bonds as so modified or amended. See "TERMS OF SALE—Right to Modify or Amend."

Bidders are referred to the Preliminary Official Statement, for additional information regarding the Authority, the Bonds, the security for the Bonds and other matters. See "CLOSING PROCEDURES AND DOCUMENTS—Official Statement." Capitalized terms used and not defined in this Official Notice of Sale have the meanings given to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to Parity (as described in "TERMS OF SALE—Form of Bids; Delivery of Bids" below). If the summary of the terms of sale of the Bonds posted on Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

THE AUTHORITY FOR ISSUANCE, PURPOSES, PAYMENT OF PRINCIPAL AND INTEREST, REDEMPTION, DEFEASANCE, SOURCES AND USES OF FUNDS, SECURITY AND SOURCES OF PAYMENT, FORM OF LEGAL OPINIONS OF BOND COUNSEL AND OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE BONDS CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of $5,000 or any integral multiple of that amount, as designated by the successful bidder (the "**Purchaser**"), all dated the date of delivery, which is expected to be June [__], 2017. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

Book-Entry Only. The Bonds will be registered in the name of a nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, and the Purchaser will not receive certificates representing its interest in the Bonds purchased. As of the date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. Interest on the Bonds will be payable on March 1, 2018, and semiannually thereafter on September 1 and March 1 of each year (each an "**Interest Payment Date**"). Interest shall be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

(i) each interest rate specified in any bid for the Bonds must be a multiple of one-twentieth or one-eighth per annum;

(ii) the maximum interest rate bid for any maturity shall not exceed 5% per annum;

(iii) no Bond shall bear a zero rate of interest;

(iv) each Bond shall bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid; and

(v) all Bonds maturing at any one time shall bear the same rate of interest.

See the Preliminary Official Statement – "THE BONDS – Description of the Bonds."

Maximum Discount. All bids must be for not less than all of the Bonds hereby offered for sale and must provide for a purchase price of not less than 99% of the aggregate par amount thereof.

Principal Payments. The Bonds shall be serial and/or term Bonds, as specified by each bidder, and principal shall be payable on September 1 of each year, commencing on September 1, 2018, as shown below. Subject to the Authority's right to modify or amend this Notice of Sale (see "TERMS OF SALE—Right to Modify or Amend"), the final maturity of the Bonds shall be September 1, 20[__]. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of $5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the Bonds is shown below for information purposes only. **Bidders for the Bonds will provide bids for all of the Bonds Principal Amounts.**

Subject to the Authority's right to modify or amend this Notice of Sale (see "TERMS OF SALE—Right to Modify or Amend"), and to adjustment as provided in this Notice of Sale (see "—Adjustment of Principal Payments"), the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

Maturity Date (September 1)	**Principal Amount***
TOTAL	$

* Preliminary, subject to change.

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the Authority with respect to the likely interest rates of the winning bid and the premium/discount contained in the winning bid. **The Authority reserves the right to change the principal payment schedule set forth above after the determination of the successful bidder, by adjusting one or more of the principal payments of the Bonds, in increments of $5,000, as determined in the sole discretion of the Authority, in order to provide sufficient funds and achieve approximately level debt service. Any such adjustment of principal payments with respect to the Bonds shall be based on the schedule of principal payments provided by the Authority to be used as the basis of bids for the Bonds. Any such adjustment will not change the average per Bond dollar amount of the underwriter's discount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.**

See also "TERMS OF SALE—Right to Modify or Amend," regarding the Authority's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto.

A BIDDER AWARDED THE BONDS BY THE AUTHORITY WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF SUCH BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Redemption.

(i) Optional Redemption of the Bonds. The Bonds are subject to optional call and redemption prior to maturity from funds derived by the Authority from any source on the dates and at the premiums set forth in the Preliminary Official Statement.

See the Preliminary Official Statement – "THE BONDS—Redemption of Bonds—Optional Redemption."

(ii) Special Mandatory Redemption from Prepaid Special Taxes. The Bonds are subject to mandatory call and redemption prior to maturity from amounts in the Special Tax Prepayments Account available to redeem Bonds under the Fiscal Agent Agreement on the dates and at the premiums set forth in the Preliminary Official Statement.

See the Preliminary Official Statement – "THE BONDS—Redemption of Bonds—Mandatory Redemption from Special Tax Prepayments."

(iii) Mandatory Sinking Payment Redemption. If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year which has been combined to form such term bonds and continuing on September 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such maturity date set forth above under "Principal Payments," as adjusted pursuant to "Adjustment of Principal Payments" above. The Authority, at its option, may credit against any mandatory sinking fund redemption payment term bonds of the maturity then subject to redemption, which have been purchased and canceled by the Authority or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption payment.

No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired. See the Preliminary Official Statement – "THE BONDS—Redemption of Bonds—Mandatory Sinking Payment Redemption."

Legal Opinions and Tax Matters. Upon delivery of the Bonds, Jones Hall, A Professional Law Corporation, Bond Counsel to the Authority ("**Bond Counsel**"), will deliver its legal opinion as to the validity and enforceability of the Bonds.

A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B to the Preliminary Official Statement. A Copy of the opinion of Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds.

See the Preliminary Official Statement – "TAX MATTERS."

TERMS OF SALE

Maximum Discount. All bids must provide for a purchase price of not less than 99% of the aggregate par amount thereof. _Individual maturities of the Bonds may be reoffered at par, a premium or a discount.

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds offered for sale, (2) unconditional, and (3) submitted via Parity, r, and after the verbal award, an email copy of the completed and signed applicable Official Bid Form conforming to the Parity bid by the winning bidder, with any adjustments made by the Authority pursuant hereto. Electronic bids must conform to the procedures established by Parity. No bid submitted to the Authority shall be subject to withdrawal or modification by the bidder.

All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids for the Bonds shall be rejected. No bid submitted to the Authority shall be subject to withdrawal or modification by the bidder. No bid will be accepted after the time for receiving bids. The Authority retains absolute discretion to determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The Authority takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.

Electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact either the Municipal Advisor at the number provided above or Parity at: (212) 404-8107.

Warnings Regarding Electronic Bids. Bids for the Bonds must be submitted electronically via Parity. However, the Authority does not endorse or encourage the use of such electronic bidding service. None of the Authority, the Municipal Advisor or Bond Counsel assumes any responsibility for any error contained in any bid submitted

electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission. The time for receiving bids will be determined by the Authority at the place of bid opening, and the Authority will not be required to accept the time kept by Parity.

If a bidder submits an electronic bid for the Bonds through Parity, such bidder thereby agrees to the following terms and conditions:

(1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity and/or the News Services, will control;

(2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale;

(3) the Authority will not have any duty or obligation to provide or assure access to Parity to any bidder, and the Authority will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity;

(4) the Authority is permitting use of Parity as a communication mechanism, and not as an agent of the Authority, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the Authority;

(5) the Authority is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity;

(6) the Authority may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory;

(7) if the bidder's bid is accepted by the Authority, the signed, completed and conforming Official Bid Form submitted by the bidder by email or facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and

(8) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the Authority unless that information is included in this Official Notice of Sale or the Official Bid Form.

Basis of Award. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder who submits a conforming bid that represents the lowest true interest cost to the Authority. The true interest cost will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount of the Bonds plus the amount of any net premium or discount. For the purpose of calculating the true interest cost, mandatory sinking fund payments for any term Bonds specified by a bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. In the event that two or more bidders offer bids for the Bonds at the same true interest cost, the Authority will determine by lot which bidder will be awarded the Bonds. Bid evaluations or rankings made by Parity are not binding on the Authority.

Estimate of True Interest Cost. Each bidder is requested, but not required, to supply an estimate of the true interest cost based upon its bid, which will be considered as informative only and not binding on either the bidder or the Authority.

Multiple Bids. If multiple bids with respect to the Bonds are received from a single bidder by any means or combination thereof, the Authority shall be entitled to accept the bid representing the lowest true interest cost to the Authority, and each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest true interest cost to the Authority.

No Good Faith Deposit. No good faith deposit is required.

Reoffering Prices and Certificate. The Purchaser of the Bonds must actually reoffer all of the Bonds to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers). As soon as is practicable, but not later than one hour after the award of the Bonds, the successful bidder shall provide to the Authority a completed certificate in the form attached hereto as Exhibit A (a "**Reoffering Price Certificate**"), which will state the initial offering prices at which it has offered all of the Bonds of each maturity to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers), in a bona fide public offering. In addition, on the day prior to delivery of the Bonds, the Purchaser shall provide a Reoffering Price Certificate, which shall be dated the date of the closing and in a form and substance acceptable to and include such additional information as may be requested by Bond Counsel, to the following:

- the Authority

- Jones Hall, A Professional Law Corporation
  475 Sansome Street, Suite 1700
  San Francisco, California 94111
  Fax: (415) 276-2088
  Attention: Scott R. Ferguson, Esq.
  Email: sferguson@joneshall.com

For the purposes of this paragraph, sales of the Bonds to the other securities brokers or dealers will not be considered sales to the general public.

Right of Rejection and Waiver of Irregularity. The Authority reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. Other than with respect to postponement or cancellation as described in this Official Notice of Sale, and in addition to the Authority's right to adjust the payment amounts of the Bonds as provided in "TERMS RELATING TO THE BONDS—Adjustment of Principal Payments" the Authority reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that, subject to the terms of this Notice of Sale (see "TERMS RELATING TO THE BONDS—Adjustment of Principal Payments") any such modification or amendment will be communicated to potential bidders through Parity and/or the News Services not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The Authority may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation shall be given through Parity and/or the News Services as soon as practicable following such postponement or cancellation. If a sale is postponed, notice of a new sale date will be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Authority will take official action awarding the Bonds or rejecting all bids with respect to the Bonds not later than 30 hours after the time for receipt of bids for the Bonds, unless such time period is waived by the Purchaser.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about June [___], 2017***. Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the Treasurer of the Authority. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The Authority will deliver to the Purchaser, dated as of the delivery date, the legal opinion with respect to the Bonds described in Appendix B to the Preliminary Official Statement.

Qualification for Sale. The Authority will furnish such information and take such action not inconsistent with law as the Purchaser may request and the Authority may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; provided, that the Authority will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds be made in any

* Preliminary; subject to change.

jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

No Litigation. The Authority will deliver a certificate stating that no litigation of any nature is pending, or to the knowledge of the officer of the Authority executing such certificate, threatened, restraining or enjoining the sale, issuance or delivery of the Bonds or any part thereof, or the entering into or performance of any obligation of the Authority, or concerning the validity of the Bonds, the ability of the Authority to levy and collect the special taxes required to pay debt service on the Bonds, the corporate existence of the Authority, or the entitlement of any officers of the Authority who will execute the Bonds to their respective offices.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract if the Authority fails to execute the Bonds and tender the same for delivery within 30 days from the sale date, and in such event the Purchaser will be entitled only to the return of the Good Faith Deposit, without interest thereon.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser of the Bonds to accept delivery of and pay for such Bonds in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of the Bonds. CUSIP is a registered trademark of American Bankers Association. CUSIP data is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The Authority takes no responsibility for the accuracy of such CUSIP numbers. CUSIP numbers are provided only for the convenience of the Purchaser of the Bonds.

Expenses of the Successful Bidder. CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), Depository Trust Company charges and all other expenses of the successful bidder will be the responsibility of the successful bidder. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission, within 60 days from the sale date, the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon request to the Office of Public Finance or to either of the Municipal Advisor. (The contact information for the Municipal Advisor is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("**Rule 15c2-12**"), the Authority deems the Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Bonds, the Purchaser of the Bonds will be furnished with a reasonable number of copies (not to exceed 50) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser of the Bonds must notify the Authority in writing within two days of the sale of the Bonds if the Purchaser requires additional copies of the final Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

By submitting a bid for the Bonds, the Purchaser of the Bonds agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (2) to promptly file a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board, and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the Purchaser, including, without limitation, the delivery of a final Official Statement, including any supplements, to each investor who purchases Bonds.

The form and content of the final Official Statement is within the sole discretion of the Authority. The name of a Purchaser of the Bonds will not appear on the cover of the final Official Statement.

Certificate Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the Authority, confirming to the Purchaser that (i) such authorized representative has determined that, to the best of such authorized representative's knowledge and belief, the final Official Statement (excluding reoffering information, information relating to The Depository Trust Company and its book-entry system, as to which no view will be expressed) did not as of its date, and does not as of the date of closing, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, (ii) such authorized representative knows of no material adverse change in the condition or affairs of the Authority that would make it unreasonable for such Purchaser of the Bonds to rely upon the final Official Statement in connection with the resale of the Bonds, and (iii) the Authority authorizes the Purchaser of the Bonds to distribute copies of the final Official Statement in connection with the resale of the Bonds.

Purchaser Certificate Concerning Official Statement. As a condition of delivery of the Bonds, the Purchaser of the Bonds will be required to execute and deliver to the Authority, prior to the date of closing, a certificate to the following effect:

(i) The Purchaser has provided to the Authority the initial reoffering prices or yields on the Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Bonds to the public at the prices and yields so shown.

(ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement and has not notified the Authority of the need to modify or supplement the final Official Statement.

(iii) The foregoing statements will be true and correct as of the date of closing.

Continuing Disclosure. In order to assist bidders in complying with Rule 15c2-12, the Authority will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

The Authority has never entered into a prior continuing disclosure undertaking under Rule 15c2-12.

Additional Information. Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained in electronic form from the Authority.

Sales Outside of the United States. The Purchaser must undertake responsibility for compliance with any laws or regulations of any foreign jurisdiction in connection with any sale of the Bonds to persons outside the United States.

Dated: [_____], 2017.

EXHIBIT A
SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1
2017 SPECIAL TAX BONDS

FORM OF REOFFERING PRICE CERTIFICATE

(TO BE DELIVERED AND COMPLETED BY THE PURCHASER OF THE BONDS, AS DESCRIBED UNDER "REOFFERING PRICES AND CERTIFICATE" IN THE OFFICIAL NOTICE OF SALE)

This Certificate is being delivered by [*insert name*], the purchaser (the "Purchaser"), in connection with its purchase of the special tax bonds captioned above (the "Bonds"). The Purchaser hereby certifies and represents the following:

(i) Based upon reasonable expectations and actual facts that existed on ______________, being the date upon which the Santa Cruz Libraries Facilities Financing Authority (the "Issuer") sold the Bonds to the Purchaser (the "Sale Date"), the Purchaser reasonably expected that the first prices at which a substantial amount of each maturity of the Bonds (being at least 10% of each maturity) would be offered and sold to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (the "General Public") in a bona fide public offering, or the first yields in the case of obligations sold on a yield basis, are set forth in Schedule A attached hereto and by this reference incorporated herein and shown on the cover or inside cover of the Official Statement (together the "Initial Offering Prices").

(ii) The aggregate of the Initial Offering Prices is $__________________.

(iii) The Initial Offering Prices of the Bonds of each maturity (and stated interest rate) reflected the assessment by the Purchaser of not more than the fair market prices of the Bonds as of the Sale Date and such offering prices were established by a bona fide public offering by the Purchaser to the General Public.

(iv) As of the date hereof, 100% of the Bonds of each maturity were actually offered to the General Public in a bona fide public offering for the Initial Offering Prices, and the Purchaser did not hold back any portion of any maturity of the Bonds for itself or any of its affiliates for the purpose of selling the same at a price in excess of the Initial Offering Price for such maturity of the Bonds.

(v) As of the Sale Date, the Underwriter, taking into account market conditions, had no reason to believe any of the Bonds would be initially sold to the General Public at prices greater than the Initial Offering Prices.

(vi) As of the date hereof, at least 10% of the principal amount of each maturity of the Bonds initially was sold at the respective Initial Offering Price for that maturity shown in Schedule A except for the Bonds with the following maturities and stated interest rates.

Maturity	Rate

(v) In our opinion, based on our experience with bonds similar to the Bonds, it was reasonable to require, as a condition to the marketing of the Bonds, that the Reserve Fund be funded as provided in the Fiscal Agent Agreement and the funding of the Reserve Fund was a vital factor in marketing the Bonds.

(vi) To the best of our understanding of the computational methodology imposed by section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and CDIAC, the computation of the yield of the Bonds, the weighted average maturity of the Bonds for purposes of federal tax Form 8038-G and the CDIAC net interest cost calculation for purposes of reporting to the State of California, are all set forth in Schedule B. In this regard we have computed yield as the discount rate that, when used in computing the present value of all principal and interest payments to be made under each applicable maturity of the Bonds from the date of issuance, to maturity, produces an amount equal to the Initial Offering Prices; provided that, the Issuer is assumed to exercise or not exercise an option or combination of options (including an optional redemption provision) in a manner that minimizes yield on the debt instrument and a holder is assumed to exercise or not exercise an option or combination of options in a manner that maximizes yield on a debt instrument. For purposes of computing the weighted average maturity of the Bonds we have used the following methodology: the sum of the products of the price of each maturity of the Bonds and the number of years from the date of issue of the Bonds, to maturity (or earlier date of mandatory sinking fund redemption) of each respective maturity of the Bonds divided by the aggregate Initial Offering Price. However, notwithstanding the foregoing, we remind you that we are not accountants or actuaries, nor are we engaged in the practice of law. Accordingly, while we believe the calculations described above to be correct, we do not warrant them to be so.

Capitalized terms used herein and not otherwise defined have the meanings set forth in the Fiscal Agent Agreement.

The Purchaser understands that Bond Counsel will rely upon this certificate, among other things, in reaching its conclusion that the Bonds do not constitute "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), provided, however, that nothing herein represents our interpretation of any laws, and in particular, regulations under Section 148 of the Code.

Dated: ____________
[Sale Date]

By: ________________________________
(Name of Purchaser)

Execution by: ________________________________

Type Name: ________________________________

Title: ________________________________

SCHEDULE A

CERTIFICATE OF PURCHASER

Maturity Dates (September 1)*	Principal Amount*	Interest Rate†	Offering Price or Yield†

* Subject to adjustment in accordance with the Official Notice of Sale.
† To be completed by Purchaser.

SCHEDULE B

CERTIFICATE OF PURCHASER

[Computations]

CONSULTING AGREEMENT

This Consulting Agreement (Agreement) is made as of the _____ th day of April , 2017, by and between NBS GOVERNMENT FINANCE GROUP, a California corporation, dba "NBS" ("Consultant"), and SANTA CRUZ PUBLIC LIBRARIES LFFA ("Client").

RECITALS

A. The Client desires to obtain certain consulting services for Bond Issuance Disclosure for COMMUNITY FACILITIES DISTRICT NO. 2016-1

B. The Client desires to engage Consultant as an independent contractor to perform such services on the terms and conditions set forth herein.

In consideration of the foregoing and of the mutual promises set forth herein, and intending to be legally bound, the parties hereto agree as follows:

AGREEMENT

1. Services. Consultant shall perform the scope of services described in Exhibit A, which is attached hereto and incorporated herein by reference ("Services"). Any other services required or requested by Client shall be subject to mutual agreement of the parties and may be subject to additional scope of work and fee negotiations.

2. Term. The term of this Agreement shall commence when agreement is fully executed.

3. Compensation. Compensation to be paid by Client to Consultant shall be in accordance with the schedule set forth in Exhibit B, which is attached hereto and incorporated herein by reference. Client and Consultant recognize that the scope of the project may change from that defined in Exhibit A and that significant changes in the scope of services will require renegotiation of fees.

4. Expenses. Except certain billable expenses as set forth in Exhibit B, Consultant will be responsible for all of its expenses incurred in performing the Services hereunder.

5. Qualifications of Consultant. Client has relied upon the professional training and ability of Consultant to perform Services hereunder as a material inducement to enter into this Agreement. Consultant shall therefore provide properly skilled professional and technical personnel to perform all Services under this Agreement. All work performed by Consultant under this Agreement shall be in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise.

6. Independent Contractor Status. The relationship of Consultant and Client hereunder is an independent contractor relationship and nothing in this Agreement shall be construed to create any other relationship. No agent, employee, or representative of Consultant shall be deemed to be an agent, employee, or representative of Client for any purpose. Consultant agrees that neither it nor any of its employees, is entitled to the rights or benefits afforded to Client's employees, including disability or unemployment insurance, workers' compensation, medical insurance, sick leave, or any other employment benefit. Consultant is responsible for providing, at its own expense, disability, unemployment, workers' compensation, training, permits, and licenses for its employees. Consultant

does not have, nor shall it hold itself out as having, any right, power or authority to create any contract or obligation, either express or implied, on behalf of, in the name of, or binding Client.

7. Income Taxes. Consultant is responsible for paying when due all federal, state and local income taxes, incurred as a result of the compensation paid by Client to Consultant for Services under this Agreement. Consultant agrees to indemnify Client for any claims, costs, losses, fees, penalties, interest, or damages suffered by Client resulting from Consultant's failure to comply with this provision.

8. Insurance Requirements. Consultant, at its own cost and expense, shall procure and maintain, for the duration of this Agreement, commercial general liability insurance (said insurance shall have a limit for each occurrence of at least Two Million Dollars ($2,000,000), and Four Million Dollars $4,000,000 aggregate) naming Santa Cruz Public Libraries LFFA as additional insureds, in connection with Consultant's activities, officers, employees, officials, agents, officers, staff and Board members), workers' compensation insurance and employer's liability insurance as required by the State of California (said insurance shall not be less than One Million Dollars ($1,000,000) per accident or disease), and professional errors and omissions liability insurance (said insurance shall cover Consultant's performance under this Agreement with a limit of liability of at least Two Million Dollars ($2,000,000) for any one claim and aggregate), and automobile insurance with a limit of at least One Million Dollars ($1,000,000). Prior to commencement of the Services, Consultant shall deliver to Client a Certificate of Insurance evidencing compliance with this paragraph. The certificate shall stipulate that advance written notice of cancellation of the required policy shall be given to the Client by any and all insurance companies.

9. Client's Responsibilities. The Client shall furnish Consultant with any pertinent information that is available to Client and applicable to the Services. The Client shall designate a person to act with authority on its behalf in respect to the Services. The Client shall promptly respond to Consultant's requests for reviews and approvals of its work, and to its requests for decisions related to the Services. Client understands and agrees that Consultant is entitled to rely on all information, data and documents (collectively, "Information") supplied to Consultant by Client or any of its agents, contractors or proxies or obtained by Consultant from other usual and customary sources including other government sources or proxies as being accurate and correct and Consultant will have no obligation to confirm that such Information is correct and that Consultant will have no liability to Client or any third party if such Information is not correct.

10. Indemnification. Consultant shall defend, indemnify and hold harmless Client, its officers, employees, officials and agents from and against all claims, demands, losses, liabilities, costs and expenses, including reasonable attorneys' fees, (collectively "Liabilities") arising out of or resulting from the negligence or willful misconduct of Consultant or a breach by Consultant of its obligations under this Agreement, except to the extent such Liabilities are caused by the negligence or willful misconduct of Client. Consultant will not be liable to the Client or anyone who may claim any right due to a relationship with Client, for any acts or omissions in the performance of Services under this Agreement, unless those acts or omissions are due to the negligence or willful misconduct of Consultant. Except in the case of Consultant's negligence, willful misconduct or breach of its obligations under this Agreement, Client shall defend, indemnify and hold harmless Consultant, its officers, directors, shareholders, employees and agents from and against all Liabilities to the extent that such Liabilities arise out of Consultant performing Services pursuant to the terms of this Agreement, including, without limitation, any Liabilities arising as a result of Client or any of its agents or contractors supplying incorrect Information or documentation to Consultant. The provisions of this Section 10 shall survive termination of this Agreement.

11. Limitation of Liabilities. Client hereby agrees that to the fullest extent permitted by law, Consultant's total liability to Client for any and all injuries, claims losses, expenses or damages whatsoever arising out of or in any way related to Consultant's Services under this Agreement from any cause or causes, including but not limited to Consultant's negligence, errors, omissions or breach of contract (hereafter "Client claims") shall not exceed the total sum paid on behalf of or to Consultant by Consultant's insurers in settlement or satisfaction of Client claims under the terms and conditions of Consultant's insurance policies applicable thereto. The provisions of this Section 11 shall survive termination of this Agreement.

12. Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, disability, ancestry, sex, gender identity, sexual orientation, or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

13. Attorneys' Fees. In the event of any action or other proceeding, including arbitration or other non-judicial proceedings, arising from, in, under or concerning this Agreement and any amendment thereof, including, without limiting the generality of the foregoing, any claimed breach hereof, the prevailing party in such action or proceeding shall be entitled to recover from the other party in such action or proceeding, such sum as the court shall fix as reasonable attorneys' fees incurred by such prevailing party.

14. Compliance with Law. In connection with the services rendered hereunder, Consultant agrees to abide by all federal, state, and local laws, ordinances and regulations.

15. Entire Agreement; Amendment. This Agreement, including the Exhibits attached hereto, constitutes the final, complete and exclusive statement of the terms of the agreement between Client and Consultant with respect to the transactions contemplated hereby and supersedes all prior and contemporaneous agreements, arrangements or understandings between them with respect thereto. This Agreement may not be amended, modified or changed except by instruments in writing signed by all of the parties hereto.

16. Nonwaiver. No failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged.

17. Controlling Law; Jurisdiction. This Agreement shall be construed and enforced in accordance with the laws of the State of California without reference to its choice of law provisions. The parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on *Forum Non Conveniens*, which it may now or hereafter have to the bringing of any action or proceeding in the manner, or in any of the jurisdictions, provided herein.

18. Counterparts. This Agreement may be executed in any number of counterparts and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

19. Further Assurances. The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to carry out the intent and purposes of this Agreement.

20. Successors and Assigns. Consultant and Client each binds itself, its partners, its successors, legal representatives and assigns to the other party of this Agreement and to the partners, successors, legal representatives and assigns of such other party in respect of all covenants and agreements contained herein.

21. Notices. All notices, requests, demands, and other communications required to or permitted to be given under this Agreement shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the other party; or (b) when received when sent by e-mail or facsimile at the address and number set forth below (provided, however, that the receiving party confirms receipt of such notice by e-mail, facsimile or any other method permitted hereunder, and that any notice given by e-mail or facsimile shall be deemed received on the next business day if such notice is received after 5:00 p.m. (recipient's time) or on a non-business day); or (c) three business days after the same have been deposited in a United States post office with first class or certified mail return receipt requested postage prepaid and addressed to the parties as set forth below; or (d) the next business day after same has been deposited with a reputable overnight delivery service reasonably known by the parties (such as FedEx, DHL WorldWide Express, California Overnight, USPS Priority Mail Express, etc.), postage prepaid, addressed to the parties as set forth below with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider.

If to Consultant:

NBS Government Finance Group
Attention: Michael Rentner, Chief Executive Officer
32605 Temecula Parkway, Suite 100
Temecula, CA 92592
Telephone: (951) 296-1997
Fax No.: (951) 296-1998
E-Mail: mrentner@nbsgov.com

If to Client:

Santa Cruz Public Libraries LFFA
Attention: Susan Nemitz, Executive Director
c/o 809 Center Street, Room 101
Santa Cruz, CA 95060
Telephone: (831) 427 -7706
Email: nemitzs@santacruzpl.org

22. References and Titles. All references in this Agreement to Articles, Sections, Subsections and other subdivisions refer to corresponding Articles, Sections, Subsections and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any subdivision are for convenience only and do not constitute any part of such subdivision and shall be disregarded in construing the language contained in such subdivision. The words this Agreement, this instrument, herein, hereof, hereby, hereunder, and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine and neuter

genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

23. Time. Time is of the essence.

24. No Third Party Beneficiaries. Nothing contained in this Agreement is intended to and nothing contained herein shall be interpreted to confer on any party the rights of a third party beneficiary and this Agreement shall be for the sole benefit of the parties hereto.

25. Severability. If any term, covenant, condition or provision of this Agreement, or the application thereof to any person or circumstances is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will, nevertheless, continue in full force and effect without being impaired or invalidated in any way.

26. Language. The language of this Agreement shall be construed as a whole and in accordance with the fair meaning of the language used. The language of this Agreement shall not be strictly construed against either party based upon the fact that either party drafted or was principally responsible for drafting this Agreement or any specific term or condition hereof.

27. Termination. This Agreement may be terminated by either party by giving thirty (30) business days written notice to the other party of its intent to terminate this Agreement. Upon termination, Consultant shall be entitled to compensation for services performed up to the effective date of termination and Client shall be entitled to all work performed to that date.

IN WITNESS WHEREOF, Client and Consultant have executed this Agreement on the day and year first above written.

CONSULTANT	CLIENT
NBS GOVERNMENT FINANCE GROUP, a California corporation, dba NBS	SANTA CRUZ PUBLIC LIBRARIES LFFA
By:	By:
Name: Michael Rentner	Name:
Title: Chief Executive Officer	Title:

Attachments:

Exhibit A: Consultant Scope of Services
Exhibit B: Compensation for Services

EXHIBIT A

CONSULTANT SCOPE OF SERVICES

BOND ISSUANCE DISCLOSURE FOR COMMUNITY FACILITIES DISTRICT NO. 2016-1

Kick-Off Meeting, Project Schedule. NBS will participate in a conference call with Client staff, bond counsel, the financial advisor and other interested parties to:

- Establish lines of communication.
- Clarify the specific project goals and criteria that will meet the Client's preference.
- Identify and resolve any special circumstances regarding the bond issuance.
- Develop project schedules to meet legal requirements and provide for effective interaction of all involved parties.
- Establish meeting dates consistent with schedule to achieve project milestones.

Provide Data for Bond Documents. NBS will provide certain disclosure data for the bond documents including the Official Statement. Such data shall include parcel data, assessed value data, value-to-lien information, special tax classifications, levy figures, delinquency information and other relevant data necessary for proper disclosure to potential bond investors. The information will be based upon the latest County Secured Tax Roll and the current Delinquency Redemption data available.

Review Bond Documents. NBS will review bond documents prepared and provided by bond or other legal counsel and the financial advisor including the Official Statement, the Bond Indenture and the Continuing Disclosure Agreement.

Data Processing. NBS will process the data and provide the following:

- Salient data of all parcels subject to the special tax levy.
- Current year delinquencies including the amounts delinquent and penalties and interest penalties accrued.
- Reports of assessed value and property ownership will be prepared as requested by the financing team. Examples of available reports are: a) Top 10 property owners by share of bonded indebtedness, b) Aggregate, by category and individual value to lien calculations, and c) Value to lien as a percentage of special taxes.

EXHIBIT B

COMPENSATION FOR SERVICES

BOND ISSUANCE DISCLOSURE SERVICES

The following fees are for the services listed above and shall not be contingent upon any bond sale. Note: the fees below can be recovered through the CFD special tax levy if the bond issuance is not completed.

Consulting Services $14,500
Estimated Expenses (1) $2,500
Total Not-To-Exceed of Fees Above (1) $17,000

(1) Includes Cal Muni Overlapping Debt Statement and Alliant Sample Property Tax Bill. See description of expenses below.

EXPENSES

Customary out-of-pocket expenses by Consultant are included in the fee above. These expenses may include, but not be limited to, mailing fulfillment, postage, reproduction, telephone, travel, meals and various third-party charges for data, maps, and recording fees.

ADDITIONAL SERVICES

The following table shows our current hourly rates. Additional services authorized by the Client but not included in the scope of services will be billed at this rate or the then applicable hourly rate.

Title	Hourly Rate
Director	$205
Associate Director	$190
Senior Consultant / Engineer / Manager	$ 160
Consultant	$140
Analyst	$120
Clerical/Support	$ 95

TERMS

Services will be invoiced monthly as tasks are completed. Expenses will be itemized and included in the next regular invoice. Payment shall be made within 30 days of submittal of an invoice. If payment is not received within 90 days simple interest will begin to accrue at the rate of 1.5% per month. Either party can cancel contracts with 30 days written notice.

Agreement for Legal Services
Disclosure Counsel

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
2017 Special Tax Bonds – Community Facilities District No. 2016-1

THIS AGREEMENT FOR LEGAL SERVICES is made and entered into this _____ day of April, 2017, by and between the SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY (the "Authority"), and QUINT & THIMMIG LLP, Larkspur, California ("Attorneys").

RECITALS:

WHEREAS, the Authority anticipates the issuance of special tax bonds (the "Bonds") for a community facilities district formed by the Authority pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, known as the Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 (the "District"); and

WHEREAS, the Authority requires the services of disclosure counsel in connection with the issuance of the Bonds;

WHEREAS, the Authority has determined that Attorneys are specially trained and experienced to provide services for accomplishing such issuance and Attorneys are willing to provide such services; and

WHEREAS, the public interest, economy and general welfare will be served by this Agreement for Legal Services.

AGREEMENT:

NOW, THEREFORE, IT IS HEREBY AGREED, as follows:

Section 1. Duties of Attorneys. Attorneys shall provide legal services as disclosure counsel in connection with the preparation of the official statement to be used in connection with the offering and sale of the Bonds (the "Official Statement"), a continuing disclosure certificate and a notice of intention to sell and an official notice of sale for the Bonds. Such services shall include the following:

(a) Review the Official Statement (both preliminary and final) to be prepared by the Authority's Municipal Advisor in connection with the offering of the Bonds;

(b) Confer and consult with the officers and administrative staff of the Authority as to matters relating to the Official Statement;

(c) Attend all administrative meetings at which the Official Statement is to be discussed, deemed necessary by Attorneys for the proper exercise of their due diligence with respect to the Official Statement (it being expected that such meetings will be conducted by group conference calls);

(d) Draft a continuing disclosure certificate or agreement for the Bonds;

(e) Review the notice of intention to sell and the official notice of sale for the Bonds prepared by bond counsel; and

(f) Subject to the completion of proceedings to the satisfaction of Attorneys, provide a letter of Attorneys addressed to the Authority and the purchaser of the Bonds to the effect that, although Attorneys have not undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, in the course of Attorneys participation in the preparation of the Official Statement Attorneys have been in contact with representatives of the Authority and others concerning the contents of the Official Statement and related matters, and, based upon the foregoing, nothing has come to Attorneys attention to lead Attorneys to believe that the Official Statement (except for any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion included therein, and information relating to The Depository Trust Company and its book-entry system, as to which Attorneys need express no view) as of the date of the Official Statement or the date of the closing for the Bonds contain any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Section 2. Compensation. For the services described in Section 1, Attorneys shall be paid a fee of $25,000.00. *Payment of said fee shall be entirely contingent upon the issuance of the Bonds,* shall be due and payable upon the delivery of the Bonds and shall be payable solely from the proceeds of the Bonds and from no other funds of the Authority.

Section 3. Exceptions. The Authority has retained another law firm to provide bond counsel services with respect to the issuance of the Bonds, and the services of Attorneys do not include any of the services customarily provided by bond counsel. Any services rendered in any litigation involving the Authority or the financing proceedings relating to the Bonds are excepted from the services to be rendered for the above compensation. On-going advice and preparation of necessary documentation regarding the continuing disclosure requirements of the Securities and Exchange Commission are also excepted from the services to be rendered for the above compensation. For any such services mentioned in this Section 3 which Attorneys are directed to render for and on behalf of the Authority, compensation shall be on the basis of reasonable fees to be agreed upon by the Authority and Attorneys.

Section 4. Termination of Agreement. This Agreement for Legal Services may be terminated at any time by the Authority, with or without cause, upon written notice to Attorneys. In the event of such termination, all finished and unfinished documents shall, at the option of the Authority, become its property and shall be delivered by Attorneys to the Authority.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

SANTA CRUZ LIBRARIES FACILITIES
FINANCING AUTHORITY

By: ______________________________
Name: ____________________________
Title: _____________________________

QUINT & THIMMIG LLP

By: ______________________________
Paul J. Thimmig, Partner