

Attachment E

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NEW ISSUE – BOOK-ENTRY ONLY

NO RATING

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds. See "TAX MATTERS" herein.

\$ _____*

**COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON PROJECT)
EAST GARRISON PUBLIC FINANCING AUTHORITY
COUNTY OF MONTEREY, STATE OF CALIFORNIA
SPECIAL TAX BONDS, SERIES 2019**

Dated: Date of Issuance**Due: September 1, as shown below**

The Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California, Special Tax Bonds, Series 2019 (the "Series 2019 Bonds") are being issued by the Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California (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 an Indenture, dated as of December 1, 2016 (the "Original Indenture"), by and between the District and MUFJ Union Bank, N.A., as successor trustee (the "Trustee"), as amended and supplemented by a First Supplemental Indenture, dated as of October 1, 2019 (the "First Supplemental Indenture" and together with the Original Indenture, the "Indenture"), by and between the District and the Trustee. The Series 2019 Bonds are special obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined in this Official Statement) to be levied on certain taxable land within the District (less certain administrative expenses) and from certain other funds pledged under the Indenture, all as further described in this Official Statement. The Series 2019 Bonds are being issued on a parity with the Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California, Special Tax Bonds, Series 2016 (the "Series 2016 Bonds," and together with the Series 2019 Bonds and any future Additional Bonds, the "Bonds"). The Series 2016 Bonds are currently outstanding in the principal amount of [\$9,185,000]. The Special Taxes are to be levied according to the rate and method of apportionment approved by the qualified electors within the District. See "SECURITY FOR THE SERIES 2019 BONDS – Special Taxes."

The proceeds of the Series 2019 Bonds will be used to (i) finance certain public improvements; (ii) fund a reserve fund; and (iii) pay costs of issuing the Series 2019 Bonds. See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

Interest on the Series 2019 Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2020. Initial purchases of beneficial interests in the Series 2019 Bonds will be made in book-entry form and the Series 2019 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). The Series 2019 Bond denominations are in integral multiples of \$5,000. Purchasers of beneficial interests in the Series 2019 Bonds will not receive certificates representing their interests in the Series 2019 Bonds and will not be paid directly by the Trustee. See "APPENDIX E – The Book Entry System."

The Series 2019 Bonds are subject to optional, special mandatory and mandatory sinking fund redemption prior to their stated maturity, as described in this Official Statement. See "THE SERIES 2019 BONDS – Redemption."

To provide funds for payment of the Bonds which could result from a shortfall of revenues caused by delinquent Special Tax payments, the District has established a Reserve Fund funded from Bond proceeds. If revenues from the Special Taxes are insufficient to pay the debt service on the Bonds, the moneys in the Reserve Fund are available to cover the deficiency. There is no assurance that funds will be available for this purpose and if, during the period of revenue shortfall, there are insufficient moneys in the Reserve Fund, there may be a delay in payment to the owners of the Series 2019 Bonds.

Neither the full faith and credit nor the taxing power of the East Garrison Public Financing Authority, the County of Monterey, the State of California or any political subdivision thereof is pledged to the payment of the Series 2019 Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Series 2019 Bonds. The Series 2019 Bonds are special tax obligations of the District payable solely from Net Special Tax Revenues and other amounts held under the Indenture, on a parity with the Series 2016 Bonds, as more fully described in this Official Statement.

CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE SERIES 2019 BONDS WHEN DUE. THE PURCHASE OF THE SERIES 2019 BONDS INVOLVES SIGNIFICANT RISKS, AND THE SERIES 2019 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 IN THIS OFFICIAL STATEMENT, IN EVALUATING THE INVESTMENT QUALITY OF THE SERIES 2019 BONDS.

This cover page contains certain information for quick reference only. It is not a complete summary of the terms of the Series 2019 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 Series 2019 Bonds. 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 discussed in this Official Statement, in considering the investment quality of the Series 2019 Bonds.

The Series 2019 Bonds are being offered when, as and if issued by the District, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by County Counsel, and by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel, for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, acting as Underwriter's Counsel, and for the Developer by Holland & Knight LLP, San Francisco, California. Delivery of the Series 2019 Bonds is expected to occur in book-entry form through the facilities of DTC on or about _____.

STIFEL

Dated: _____

* Preliminary; subject to change.

MATURITY SCHEDULE

(BASE CUSIP[†]: _____)

\$ _____ Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
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\$ _____ % Term Bonds Due September 1, _____ Yield _____ % CUSIP: _____

\$ _____ % Term Bonds Due September 1, _____ Yield _____ % CUSIP: _____

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the District or the Underwriter takes any responsibility for the accuracy of the CUSIP® numbers.

**COMMUNITY FACILITIES DISTRICT NO. 2006-1 (EAST GARRISON PROJECT)
EAST GARRISON PUBLIC FINANCING AUTHORITY
COUNTY OF MONTEREY, STATE OF CALIFORNIA**

Governing Board as Legislative Body of the District

John M. Phillips, Chair
Chris Lopez, Vice Chair
Luis A. Alejo, Member
Jane Parker, Member
Mary L. Adams, Member

County Officials

Lew C. Bauman, County Administrative Officer
Mary A. Zeeb, Treasurer – Tax Collector
Rupah Shah, Auditor – Controller
Burcu Mousa, Chief Deputy Auditor – Controller
Charles J. McKee, County Counsel
Steve Vagnini, Assessor – Clerk Recorder

PROFESSIONAL SERVICES

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Disclosure Counsel

Nixon Peabody LLP
Los Angeles, California

Market Absorption Consultant

Empire Economics, Inc.
Capistrano Beach, California

Bond Counsel

Orrick Herrington & Sutcliffe LLP
Los Angeles, California

Special Tax Consultant

Goodwin Consulting Group, Inc.
Sacramento, California

Appraiser

Integra Realty Resources
Rocklin, California

Trustee

MUFG Union Bank, N.A.
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Series 2019 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 to be construed as a contract with the purchasers of the Series 2019 Bonds.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2019 Bonds other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2019 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

Information Subject to Change. The information and expressions of opinion in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the District, the Developer or any other entity described or referenced in this Official Statement since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2019 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2019 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

THE SERIES 2019 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE SERIES 2019 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Internet Site. The County maintains an Internet website, but the information that the website contains is not incorporated in this Official Statement.

[INSERT MAP]

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OFFICIAL STATEMENT

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**COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON PROJECT)
EAST GARRISON PUBLIC FINANCING AUTHORITY
COUNTY OF MONTEREY, STATE OF CALIFORNIA
SPECIAL TAX BONDS, SERIES 2019**

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, appendices, and summarized documents. A full review should be made of this entire Official Statement and such documents prior to making an investment in the Series 2019 Bonds. The sale and delivery of the Series 2019 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, including its appendices, sets forth certain information concerning the issuance by the Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California (the “District”), of the \$ _____ aggregate principal amount of the Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California, Special Tax Bonds, Series 2019 (the “Series 2019 Bonds”). The Series 2019 Bonds are being issued by 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 an Indenture, dated as of December 1, 2016 (the “Original Indenture”), by and between the District and MUFJ Union Bank, N.A., as successor trustee (the “Trustee”), as amended and supplemented by a First Supplemental Indenture, dated as of October 1, 2019 (the “First Supplemental Indenture” and together with the Original Indenture, the “Indenture”), by and between the District and the Trustee. The Series 2019 Bonds are being issued on a parity with the Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California, Special Tax Bonds, Series 2016 (the “Series 2016 Bonds,” and together with the Series 2019 Bonds and any future Additional Bonds, the “Bonds”). The Series 2016 Bonds are currently outstanding in the principal amount of [\$9,185,000]. Capitalized terms used, and not otherwise defined, in this Official Statement have the meanings given such terms in the Indenture, some of which are set forth in Appendix A.

Issuing Authority

The District was established by the Governing Board (the “Governing Board”) of the East Garrison Public Financing Authority (the “Authority”) pursuant to proceedings under the Act on June 20, 2006. See “THE DISTRICT – Authorization.” The Series 2019 Bonds were authorized to be issued by resolution adopted by the Governing Board on September 17, 2019 (the “Resolution of Issuance”). The Series 2019 Bonds are being issued pursuant to the Act and Indenture. See “THE SERIES 2019 BONDS – Authority for Issuance.”

* Preliminary; subject to change.

Application of Proceeds

The net proceeds of the Series 2019 Bonds will be used (i) to finance certain public improvements, (ii) to fund a reserve fund for the Bonds, and (iii) to pay costs of issuing the Series 2019 Bonds. See “PLAN OF FINANCING.”

The Authority

The East Garrison Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated March 28, 2006 (as amended, the “JPA Agreement”), by and between the County of Monterey (the “County”) and the East Garrison Community Services District, in accordance with the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Joint Powers Law”).

The Authority was created for the purpose of accomplishing the purposes of the Joint Powers Law including the establishment of one or more community facilities districts and the exercise of the authority provided by the Act with respect to such community facilities districts.

The Authority is governed by a five-member Governing Board that consists of the members of the Board of Supervisors of the County. The Chair of the Authority is the Chair of the Board of Supervisors, and the Vice Chair of the Authority is the Vice Chair of the Board of Supervisors. The County Administrative Officer of the County acts as its Executive Director, the Clerk of the Board of Supervisors acts as its Secretary, and the County Treasurer acts as its Treasurer.

The District

Formation Proceedings. The District has been formed by the Authority 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 that 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 Governing Board acts as the legislative body of the District.

Pursuant to the Act, the Governing Board adopted the necessary resolutions stating its intent to establish the District, authorize the levy of special taxes on taxable property within the boundaries of the District and incur bonded indebtedness within the District. The Series 2019 Bonds are secured and payable on a parity with the Series 2016 Bonds solely from Net Special Tax Revenues (as defined in this Official Statement), including foreclosure proceeds. Following public hearings conducted pursuant to the provisions of the Act, the Governing Board adopted resolutions establishing the District and calling special elections to submit the levy of the Special Taxes (as defined in this Official Statement) and the incurring of bonded indebtedness to the qualified voters of the District. On June 20, 2006, at an election held pursuant to the Act, the landowners who comprised the qualified voters of the District authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed \$27,000,000 to be secured by the levy of Special Taxes on taxable property within the District. On that same date, the landowners within the District approved the rate and method of apportionment of the Special Taxes on land within the District to pay the principal of and interest on the Bonds of the District.

On June 11, 2013, the Governing Board adopted a resolution proposing changes to the District, including changes to the original rate and method of apportionment. On August 27, 2013, the qualified voters of the District approved the amended and restated rate and method of apportionment for the District (as amended and restated, the “Rate and Method”). The Rate and Method is set forth in Appendix C.

East Garrison Project. The District encompasses the East Garrison Project. The East Garrison Project is an approximately 244-acre master planned development entitled and approved by the County for a mix of uses including, but not limited to, 1,400 detached homes, townhomes, condominiums, live/work residences, apartments, and 70 accessory dwelling units (or “granny units”); a minimum of 34,000 square feet of commercial uses; 11,000 square feet of public and institutional uses; up to 100,000 square feet of artist, cultural and educational uses; approximately 50 acres of parks, trails and open space; and, associated roadways, landscaping, and utility infrastructure.

The East Garrison Project site is located within an unincorporated area of the County, approximately two miles east of the City of Marina and 5.5 miles southwest of the City of Salinas. More specifically, the project site is located on the edge of the northern boundary of Fort Ord in an area known as East Garrison. The site is generally bounded by Reservation Road on the north and east, Watkins Gate Road on the south, and West Camp Street (and its northerly extension) on the west. The site also shares a boundary to the south with an abandoned firing range that was identified as a potential area for future residential development. To the north of the site are University of California Monterey Bay Education, Science, and Technology Center, agricultural lands, and the Salinas River. In addition, the California State University Monterey Bay campus is located approximately one mile west of the site.

As of July 1, 2019, in all Phases of the East Garrison Project, 733 single family detached residential units had been conveyed to individual homeowners. As of July 1, 2019, excluding the property that will house 196 affordable rental units, the Developer and affiliates of the Developer owned 471 parcels in various stages of construction.

UCP East Garrison, LLC, a Delaware limited liability company (the “Developer”) is the developer of the East Garrison Project. See “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT” for additional information regarding the Developer and the East Garrison Project.

Security for the Series 2019 Bonds

Under the Indenture, the Series 2019 Bonds are payable from a portion of the Special Tax levied within the District. See “SECURITY FOR THE SERIES 2019 BONDS – Special Taxes.” As used in this Official Statement, the term “Special Tax” is the Facilities Special Tax, as defined in the Rate and Method, which has been authorized pursuant to the Act to be levied against the real property located within the District in accordance with the Rate and Method. Under the Indenture, the District has pledged to repay the Series 2019 Bonds from Net Special Tax Revenues on a parity with the Series 2016 Bonds and any Additional Bonds that may be issued. The Maximum Facilities Special Taxes, as defined in the Rate and Method, increases by 2% annually. See “APPENDIX C – AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Net Special Tax Revenues is defined in the Indenture as Special Tax Revenues less amounts required to pay Administrative Expenses. Special Tax Revenues means the proceeds of the Special Taxes received by or on behalf of the District, including any prepayments, interest and penalties and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, which will be limited to the amount of said lien and interest and penalties. Administrative Expenses means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the Authority carrying out its duties

with respect to the District, including, but not limited to, levying and collecting the Special Taxes, the fees and expenses of legal counsel, charges levied by the County Auditor's Office, Tax Collector's Office, and/or Treasurer's Office, costs related to annexing property into the District, costs related to property owner inquiries regarding the Special Taxes, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Taxes, and all other costs and expenses of the Authority in any way related to the establishment or administration of the District.

Under the Indenture, the District has agreed to levy the Special Tax, and to repay the Bonds from the Net Special Tax Revenues collected and received by the District and from amounts on deposit in the Bond Fund established under the Indenture. See "APPENDIX A – SUMMARY OF THE INDENTURE." A portion of the proceeds of the Series 2019 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 Indenture, 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 SERIES 2019 BONDS – Reserve Fund."

Foreclosure Proceeds. The District has covenanted for the benefit of the owners of the Bonds that it will determine or cause to be determined, no later than September 15 of each year, whether or not any owners of property within the District are delinquent in the payment of Special Taxes and, if such delinquencies exist, the District will order and cause to be commenced no later than November 1, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due; provided, however, that the District will not be required to order the commencement of foreclosure proceedings if (a) the total Special Tax delinquency in the District for such Fiscal Year is less than 5% of the total Special Tax levied in such Fiscal Year, and (b) the amount then on deposit in the Reserve Fund is equal to the Reserve Requirement. Notwithstanding the foregoing, if the District determines that any single property owner in the District is delinquent in excess of \$4,000 in the payment of the Special Tax, then the District will diligently institute, prosecute and pursue foreclosure proceedings against such property owner. See "SECURITY FOR THE SERIES 2019 BONDS – Proceeds of Foreclosure Sales." There is no assurance that the property within the District can be sold for the appraised value or assessed values described in this Official Statement, or for a price sufficient to pay the principal of and interest on the Series 2019 Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See "SPECIAL RISK FACTORS – Land Values."

Limited Liability

Although the unpaid Special Taxes constitute a lien on the 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.

Neither the full faith and credit nor the taxing power of the Authority, the County, the State or any political subdivision thereof is pledged to the payment of the Series 2019 Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Series 2019 Bonds. The Series 2019 Bonds are special tax obligations of the District payable solely from Net Special Tax Revenues and other amounts held under the Indenture, on a parity with the Series 2016 Bonds, as more fully described in this Official Statement.

Description of the Series 2019 Bonds

The Series 2019 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 cover page of this Official Statement. Interest on the Series 2019 Bonds will be payable on each March 1 and September 1 each year, beginning March 1, 2020.

The Series 2019 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 Series 2019 Bonds (the “Beneficial Owners”) in integral multiples of \$5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Series 2019 Bonds. In the event that the book-entry-only system described in this Official Statement is no longer used with respect to the Series 2019 Bonds, the Series 2019 Bonds will be registered and transferred in accordance with the Indenture. See “THE SERIES 2019 BONDS – Description of the Series 2019 Bonds” and “APPENDIX E – THE BOOK ENTRY SYSTEM.”

Principal of, premium, if any, and interest on the Series 2019 Bonds is payable by the Trustee 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 Series 2019 Bonds, the Beneficial Owners will become the registered owners of the Series 2019 Bonds and will be paid principal and interest by the Trustee, all as described in this Official Statement. See “THE SERIES 2019 BONDS – Description of the Series 2019 Bonds” and “APPENDIX E – THE BOOK ENTRY SYSTEM.” So long as the Series 2019 Bonds are in book-entry-only form, all references in the Official Statement to the owners or holders of the Series 2019 Bonds shall mean DTC and not the Beneficial Owners of the Series 2019 Bonds.

The Series 2019 Bonds are subject to optional redemption and mandatory redemption as described in this Official Statement. For more complete descriptions of the Series 2019 Bonds and the Indenture pursuant to which they are being issued and delivered, see “THE SERIES 2019 BONDS” and “APPENDIX A – SUMMARY OF THE INDENTURE.”

Bond Owners’ Risks

Certain events could affect the timely repayment of the principal of and interest on the Series 2019 Bonds when due. See “SPECIAL RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the Series 2019 Bonds. The Series 2019 Bonds are not rated by any rating agency. The purchase of the Series 2019 Bonds involves significant risks, and the Series 2019 Bonds may not be appropriate investments for some investors.

Professionals Involved in the Offering

MUFG Union Bank, N.A., San Francisco, California, will act as trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated, San Francisco, California, is the Underwriter of the Series 2019 Bonds. The proceedings of the Governing Board in connection with the issuance, sale and delivery of the Series 2019 Bonds are subject to the approval of Orrick Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Underwriter’s Counsel. Goodwin Consulting Group, Inc., Sacramento, California acted as Special Tax Consultant to the District. Certain legal matters will be passed on for the District by County Counsel and Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel, and for the Developer by its counsel,

Holland & Knight LLP, San Francisco, California. Other professional services related to the Series 2019 Bonds have been performed by Fieldman, Rolapp & Associates, Inc., Irvine, California, as the District's Municipal Advisor.

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" and "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT."

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 District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

Additional Information

Brief descriptions of the Series 2019 Bonds, the Indenture, the security for the Series 2019 Bonds, the District, the actual and proposed development of 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 in this Official Statement are qualified by reference to the complete text thereof. Capitalized terms used in this Official Statement and not otherwise defined in this Official Statement have the meanings given them in the Indenture, some of which are set forth in "APPENDIX A – SUMMARY OF THE INDENTURE." Copies of documents referenced in this Official Statement may be obtained upon written request and payment of the cost of mailing and duplication from the office of the County Clerk of the County, 168 W. Alisal Street, Salinas, California 93901.

PLAN OF FINANCING

A portion of the proceeds of the Series 2019 Bonds will be used to reimburse the Developer for costs relating to the design and construction of sewer, water, roadway and parks all serving the East Garrison Project.

Sources and Uses of Funds

The following table show the estimated sources and uses of the proceeds from the sale of the Series 2019 Bonds:

Sources:

Par amount of the Series 2019 Bonds
Plus/Less: Original Issue Premium/Discount
Less: Underwriter's discount

Total Sources

=====

Uses:

Deposit to Improvement Fund
Deposit to Reserve Fund
Costs of Issuance⁽¹⁾

Total Uses

=====

⁽¹⁾ Costs of Issuance include Bond Counsel, Disclosure Counsel, Municipal Advisor, Special Tax Consultant and Trustee fees and expenses, printing expenses and other costs.

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Debt Service of the Series 2019 Bonds and the Series 2016 Bonds

The table below sets forth the annualized debt service payments on the Series 2019 Bonds and the Series 2016 Bonds, assuming no optional or special mandatory redemption of the Bonds but including mandatory sinking fund redemptions.

<u>Year Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Series 2016 Bonds</u>	<u>Total</u>
Total	<u> </u>	<u> </u>	<u> </u>	<u> </u>

THE SERIES 2019 BONDS

Authority for Issuance

The District was established and bonded indebtedness within District in an amount not to exceed \$27,000,000 was authorized pursuant to the provisions of the Act. The Series 2019 Bonds will be issued pursuant to the Act, the Resolution of Issuance, and the Indenture.

Description of the Series 2019 Bonds

The Series 2019 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 cover page of this Official Statement. Interest on the Series 2019 Bonds will be payable on each March 1 and September 1 each year, beginning March 1, 2020 (each, an “Interest Payment Date”).

The Series 2019 Bonds will be dated the date of delivery and issued without coupons as one fully registered bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), as registered owner of all the Series 2019 Bonds. The Series 2019 Bonds will be available to ultimate purchasers in integral multiples of \$5,000, under the book-entry system maintained by DTC. Ultimate purchasers of Series 2019 Bonds will not receive physical certificates representing their interest in the Series 2019 Bonds. So long as the Series 2019 Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the owners shall mean Cede & Co., and shall not mean the purchasers or Beneficial Owners of the Series 2019 Bonds. See “APPENDIX E – THE BOOK ENTRY SYSTEM.”

So long as the Series 2019 Bonds are held in book-entry only form, principal of, premium, if any, and interest on the Series 2019 Bonds will be paid directly to DTC for distribution to the beneficial owners of the Series 2019 Bonds in accordance with the procedures adopted by DTC. See “APPENDIX E – THE BOOK ENTRY SYSTEM.” The Series 2019 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 Series 2019 Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2019 Bonds shall be payable from the Interest Payment Date next preceding the date of authentication unless (i) a Series 2019 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest shall be payable from such Interest Payment Date, (ii) a Series 2019 Bond is authenticated on or before the first Record Date, in which event interest shall be payable from the Series 2019 Closing Date, or (iii) interest on any Series 2019 Bond is in default as of the date of authentication, in which event interest shall be payable from the date to which interest has previously been paid or duly provided for. Interest shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners of the Series 2019 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date, or by wire transfer at the written request of an Owner of not less than \$1,000,000 aggregate principal amount of Series 2019 Bonds, which written request is received by the Trustee on or prior to the Record Date. Notwithstanding the foregoing, interest on any Series 2019 Bond which is not punctually paid or duly provided for on any Interest Payment Date shall, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the Person in whose name the ownership of such Series 2019 Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which shall be given to such Owner not less than ten days prior to such special record date.

Payments of the principal of, premium, if any, and interest on the Series 2019 Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Series 2019 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 in this Official Statement. See “APPENDIX E – THE BOOK ENTRY SYSTEM.”

Redemption

Optional Redemption. The Series 2019 Bonds maturing on or after September 1, 20__, shall be subject to optional redemption, in whole or in part in Authorized Denominations on any date on or after September 1, 20__, from any source of available funds, at a Redemption Price of principal to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Special Mandatory Redemption from Special Tax Prepayments. The Series 2019 Bonds shall be subject to mandatory redemption, in whole or in part in Authorized Denominations, on any Interest Payment Date, from and to the extent of prepaid Special Taxes required to be applied pursuant to the Indenture, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Series 2019 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
[March 1, 2020 through _____ 1, 20__	103%
_____ 1, 20__ and _____ 1, 20__	102
_____ 1, 20__ and _____ 1, 20__	101
_____ 1, 20__ and any Interest Payment Date thereafter	100]

Developer is developing 84 Below Market Rate Townhomes (the “Townhomes (BMR)”) within the District. Pursuant to the DDA, the Developer is obligated to sell the Townhomes (BMR) at a specified price based upon a formula based on the moderate income levels in Monterey County. To satisfy this requirement without adversely affecting the purchase price of the units, the Developer decided in 2017 to prepay Special Taxes upon closing the sale of a Townhome (BMR). Currently, the Developer expects to sell one Townhome (BMR) per month until all are sold. No assurances can be made that the prepayment program for the Townhomes (BMR) will continue, or that the number of sales per month will occur as currently anticipated. See “SECURITY FOR THE SERIES 2019 BONDS – Special Taxes – Prepayment of Special Taxes” and “SPECIAL RISK FACTORS – Prepayment of Special Taxes.”

Mandatory Sinking Fund Redemption. The Series 2019 Bonds maturing September 1, 20__ shall be subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 20__, at a Redemption Price equal to the principal amount of the Series 2019 Bonds maturing September 1, 20__ to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Attachment E - Preliminary Official Statement

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
--	---------------------------------------

*

* Maturity

If some but not all of the Series 2019 Bonds maturing on September 1, 20__ are redeemed pursuant to an optional redemption, the principal amount of Series 2019 Bonds maturing on September 1, 20__ to be redeemed on any subsequent September 1 shall be reduced in integral multiples of \$5,000, as designated by the District in a Written Certificate of the District filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of Series 2019 Bonds maturing on September 1, 20__ optionally redeemed. If some but not all of the Series 2019 Bonds maturing on September 1, 20__ are redeemed pursuant to a special mandatory redemption from prepaid Special Taxes, the principal amount of Series 2019 Bonds maturing on September 1, 20__ to be redeemed on any subsequent September 1 shall be reduced by the aggregate principal amount of the Series 2019 Bonds maturing on September 1, 20__ so redeemed pursuant to special mandatory redemption from prepaid Special Taxes, such reduction to be allocated among redemption dates as nearly as practicable on a *pro rata* basis in integral multiples of \$5,000, as determined by the Trustee, notice of which determination shall be given by the Trustee to the District.

The Series 2019 Bonds maturing September 1, 20__ shall be subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 20__, at a Redemption Price equal to the principal amount of the Series 2019 Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
--	---------------------------------------

*

* Maturity

If some but not all of the Series 2019 Bonds maturing on September 1, 20__ are redeemed pursuant to an optional redemption, the principal amount of Series 2019 Bonds maturing on September 1, 20__ to be redeemed on any subsequent September 1 shall be reduced in integral multiples of \$5,000, as designated by the District in a Written Certificate of the District filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of Series 2019 Bonds maturing on September 1, 20__ optionally redeemed. If some but not all of the Series 2019 Bonds maturing on September 1, 20__ are redeemed pursuant to a special mandatory redemption from prepaid Special Taxes, the principal amount of Series 2019 Bonds maturing on September 1, 20__ to be redeemed on any subsequent September 1 shall be

reduced by the aggregate principal amount of the Series 2019 Bonds maturing on September 1, 20__ so redeemed pursuant to special mandatory redemption from prepaid Special Taxes, such reduction to be allocated among redemption dates as nearly as practicable on a *pro rata* basis in integral multiples of \$5,000, as determined by the Trustee, notice of which determination shall be given by the Trustee to the District.

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds of a series, among maturities of Bonds of such series as directed in a Written Request of the District, and (b) with respect to any special mandatory redemption from prepaid Special Taxes, among maturities of all series of Bonds on a *pro rata* basis as nearly as practicable, and by lot among Bonds of the same series with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Notice of Redemption

The Trustee on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any Series 2019 Bonds designated for redemption at their respective addresses appearing on the Registration Books and to the Original Purchaser at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, if any, the Series 2019 Bond numbers and the maturity or maturities of the Series 2019 Bonds to be redeemed (except in the event of redemption of all of the Series 2019 Bonds of such maturity or maturities in whole), and shall require that such Bonds be then surrendered at the Office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Series 2019 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of Series 2019 Bonds, unless at the time such notice is given, the Series 2019 Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of, and accrued interest on, the Series 2019 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the District shall not be required to redeem such Bonds. In the event a notice of redemption of Series 2019 Bonds contains such a condition and such moneys are not so received, the redemption of Series 2019 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of the Series 2019 Bonds pursuant to such notice of redemption.

Effect of Redemption

Notice having been mailed as described above, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside with the Trustee, the Series 2019 Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Series 2019 Bonds shall be paid at the Redemption Price, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Series 2019 Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as described above and not canceled, then, from and after said date, interest on said Series 2019 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2019 Bonds shall be held in trust for the account of the Owners of the Series 2019 Bonds so to be redeemed without liability to such Owners for interest thereon.

All Series 2019 Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions the Indenture shall be canceled upon surrender thereof and destroyed.

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 E – THE BOOK ENTRY SYSTEM.” If the book-entry only system for the Bonds is ever discontinued, any Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by such person’s duly authorized attorney, upon surrender of such Bond to the Trustee for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the District shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Trustee shall collect from the Bondowner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of Bonds shall be required to be made (i) within the period established by the Trustee for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Additional Bonds

The District may at any time issue one or more Series of Additional Bonds (in addition to the Series 2019 Bonds and the Series 2016 Bonds) payable from Net Special Tax Revenues on a parity with the Series 2019 Bonds and the Series 2016 Bonds, but only subject to certain conditions, including the District shall have received a certificate from one or more Independent Consultants that, taken together, certify that:

(i) on the basis of the parcels of land and improvements existing in the District as of the January 1 preceding the proposed issuance of such Additional Bonds, for each Fiscal Year that Bonds will be Outstanding, the amount of the Available Special Taxes that may be levied on all Taxable Property in such Fiscal Year is at least equal to 110% of Annual Debt Service for the Corresponding Bond Year on all Outstanding Bonds;

(ii) the sum of (A) the Assessed Value of parcels of Taxable Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Taxable Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least seven times the sum of (I) the aggregate principal amount of Outstanding Bonds, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Taxable Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of

which is the amount of special taxes levied for such Other CFD Bonds on parcels of Taxable Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available; and

(iii) the sum of (A) the Assessed Value of parcels of Undeveloped Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Undeveloped Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least four times the sum of (I) the aggregate principal amount of Bonds that will be Outstanding after the issuance of such Additional Bonds Allocable to Undeveloped Property, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Undeveloped Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Undeveloped Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available.

Notwithstanding the foregoing, if (i) such Additional Bonds are being issued to refund previously issued Bonds, and (ii) Annual Debt Service in each Bond Year, calculated for all Bonds that will be Outstanding after the issuance of such Additional Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Bonds which are Outstanding immediately prior to the issuance of such Additional Bonds, the receipt of the certificate described above shall not be a condition precedent to the issuance of such Additional Bonds. As the limit on the amount of infrastructure costs that may be financed by the District set forth in the Disposition and Development Agreement (as amended, the "DDA") relating to the East Garrison Project will have been met with the issuance of the Series 2019 Bonds, no Additional Bonds, other than Additional Bonds for refunding purposes, are expected to be issued in the future.

SECURITY FOR THE SERIES 2019 BONDS

Limited Obligations

The Series 2019 Bonds are special, limited obligations of the District payable only from a portion of Special Taxes collected from property located within the District and pledged under the Indenture and from no other sources.

The Special Taxes are the primary security for the repayment of the Series 2019 Bonds. Under the Indenture, the District has pledged to repay the Series 2019 Bonds on a parity with the Series 2016 Bonds and any Additional Bonds that may be issued, from the Net Special Tax Revenues and from amounts held in the funds and accounts under the Indenture, other than amounts held in the Improvement Fund, the Rebate Fund, the Administrative Expense Fund and the Costs of Issuance Fund. Net Special Tax Revenues are the Special Tax Revenues remaining after the funding of the annual Administrative Expenses. The Maximum Facilities Special Taxes, as defined in the Rate and Method, increases by 2% annually. Special Tax Revenues are defined in the Indenture to include the proceeds of the Special Taxes received by the District,

including any scheduled payments and prepayments thereof, interest and penalties, the proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes in the amount of said lien, and related interest and penalties.

In the event that the Special Tax Revenues are not received when due, the only sources of funds available to pay the debt service on the Series 2019 Bonds are amounts held by the Trustee, including amounts held in the Reserve Fund, for the exclusive benefit of the Bondowners.

Neither the full faith and credit nor the taxing power of the Authority, the County, the State or any political subdivision thereof is pledged to the payment of the Series 2019 Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Series 2019 Bonds. The Series 2019 Bonds are special tax obligations of the District payable solely from Net Special Tax Revenues and other amounts held under the Indenture, on a parity with the Series 2016 Bonds, as more fully described in this Official Statement.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the Governing Board established the District on June 20, 2006 to finance the construction and acquisition of public capital improvements. Pursuant to a subsequent change proceeding, the levy of the Special Tax and the Rate and Method were authorized by the qualified electors of the District at an election held on July 30, 2013. See “APPENDIX C – AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” for the complete text of the Rate and Method.

The Bonds are secured by a pledge of and lien upon (which shall be effected in the manner and to the extent provided in the Indenture) all of the Special Taxes within the District and all moneys deposited in the Bond Fund and all moneys deposited in the Redemption Fund, the Reserve Fund and the Special Tax Fund under the Indenture. The Series 2019 Bonds are payable from Net Special Tax Revenues on a parity with the Series 2016 Bonds. The Series 2019 Bonds are not secured by any amounts on deposit in the Improvement Fund, the Costs of Issuance Fund, the Administrative Expense Fund, or the Rebate Fund established under the Indenture. Any improvements financed with the proceeds of the Series 2019 Bonds are not in any way pledged to pay debt service on the Series 2019 Bonds. The Series 2019 Bonds shall be equally secured by a pledge of and lien upon the Special Taxes and such moneys without priority for number, date of Bond, date of execution or date of delivery; and the payment of the interest on and principal of the Series 2019 Bonds and any premium upon the redemption of any Series 2019 Bond shall be and is secured by a pledge of and lien upon the Special Taxes and such moneys on a parity with the Series 2016 Bonds. The Special Taxes and all moneys deposited into accounts established under the Indenture (other than the Improvement Fund, the Costs of Issuance Fund, the Administrative Expense Fund or the Rebate Fund) are dedicated in their entirety to the payment of the principal of the Bonds, and interest and any premium on, the Bonds, as provided in the Indenture and in the Act, until all of the Bonds have been paid and retired or until moneys or defeasance securities have been set aside irrevocably for that purpose in accordance with the Indenture.

In the Indenture, the District has agreed to effect the levy of the Special Taxes each Fiscal Year in accordance with the Act by August 10 of each year (or such later date as may be authorized by the Act) that the Bonds are outstanding, such that the levy date is transmitted prior to the final date on which the County Auditor will accept the transmission of the Special Tax amounts for each parcel within the District for inclusion on the tax roll for the Fiscal Year then beginning. The District will fix and levy the amount of Special Taxes within the District required for the payment of principal and of interest on the Bonds becoming due and payable on the next Interest Payment Date, including any necessary replenishment or expenditure of the Reserve Fund and an amount estimated to be sufficient to pay the Administrative

Expenses during such year, taking into account the balances in the funds, and any transfer or expected transfers expected to occur for such purpose, under the Indenture. However, the Special Taxes may not exceed the authorized maximum amount in the Rate and Method. Such maximum amount may not be sufficient to fully replenish the Reserve Fund. See “APPENDIX C – AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Prepayment of Special Taxes. Under the Rate and Method, the owner of a parcel of Developed Property and the owner of a parcel of Undeveloped Property for which a building permit has been issued may prepay the Special Tax obligation for a parcel in whole or in part. Any required or voluntary prepayment of Special Taxes will result in a special mandatory redemption of Bonds. See “THE SERIES 2019 BONDS –Redemption – Special Mandatory Redemption from Special Tax Prepayments” and “SPECIAL RISK FACTORS – Prepayment of Special Taxes.”

Developer is developing 84 Below Market Rate Townhomes (the “Townhomes (BMR)”) within the District. Pursuant to the DDA, the Developer is obligated to sell the Townhomes (BMR) at a specified price based upon a formula based on the moderate income levels in Monterey County. To satisfy this requirement without adversely affecting the purchase price of the units, the Developer decided in 2017 to prepay Special Taxes upon closing the sale of a Townhome (BMR). Currently, the Developer expects to sell one Townhome (BMR) per month until all are sold. No assurances can be made that the prepayment program for the Townhomes (BMR) will continue, or that the number of sales per month will occur as currently anticipated. See “THE SERIES 2019 BONDS –Redemption – Special Mandatory Redemption from Special Tax Prepayments” and “SPECIAL RISK FACTORS – Prepayment of Special Taxes.”

Collection and Application of Special Taxes. The Indenture provides that the Special Tax shall be collected in the same manner as ordinary ad valorem property taxes and, except as otherwise provided in the foreclosure covenant in the Indenture and in the Act shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes. Notwithstanding the foregoing, the District may elect, as permitted by the Act, to collect the Special Taxes directly from the owner of each parcel of taxable property upon which the Special Taxes are levied instead of transmitting the Special Taxes to the County Auditor for collection on the tax roll. The Special Taxes will be deposited in the Special Tax Fund established under the Indenture when received by the District. See “APPENDIX A – SUMMARY OF THE INDENTURE.”

Under the Indenture, the District has covenanted that it will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds.

The District has further covenanted that in the event an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the District will, to the extent permitted by law, commence and pursue 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 – Proposition 218.”

Although the Special Tax will constitute a lien on the land within the District that is subject to taxation, it does not constitute a personal indebtedness of either of any current or future property owner within the District, including the Developer or any affiliate. 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 – Insufficiency of Special Taxes” below.

Proceeds of Foreclosure Sales. The net proceeds received following a judicial foreclosure sale of land within the District resulting from a landowner's failure to pay the Special Taxes when due are included within the Special Tax Revenues pledged to the payment of principal of and interest on the Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, the District covenants with and for the benefit of the Owners that it will determine or cause to be determined, no later than September 15 of each year, whether or not any owners of property within the District are delinquent in the payment of Special Taxes and, if such delinquencies exist, the District will order and cause to be commenced no later than November 1, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment of the Special Taxes not paid when due; provided, however, that the District shall not be required to order the commencement of foreclosure proceedings if (a) the total Special Tax delinquency in the District for such Fiscal Year is less than 5% of the total Special Tax levied in such Fiscal Year, and (b) the amount then on deposit in the Reserve Fund is equal to the Reserve Requirement. Notwithstanding the foregoing, if the District determines that any single property owner in the District is delinquent in excess of \$4,000 in the payment of the Special Tax, then the District shall diligently institute, prosecute and pursue foreclosure proceedings against such property owner. See "APPENDIX A – SUMMARY OF THE INDENTURE – Other Covenants of the District."

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the Series 2019 Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the District. See "SPECIAL RISK FACTORS –Bankruptcy and Foreclosure." Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS – Land Values." Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. However, the District does have the ability to use the foreclosure judgment to purchase property by credit bid at a foreclosure sale, in which case the District would have no obligation to pay such credit bid for 24 months. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for ad valorem taxes.

No Teeter Plan. The County has not adopted the alternative method of secured property tax apportionment known as the Teeter Plan, which provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end.

Reserve Fund

In order to secure the payment of principal and interest on the Series 2019 Bonds, the District will deposit Series 2019 Bond proceeds into the Reserve Fund held by the Trustee in an amount necessary to cause the balance in the Reserve Fund to equal the Reserve Requirement.

The Reserve Requirement is as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service.

Except as otherwise provided in the Indenture, amounts in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the Interest Account in the event of any deficiency at any time in the Interest Account of the amount then required for payment of the interest on the Bonds, (ii) making transfers to the Principal Account in the event of any deficiency at any time in the Principal Account of the amount then required for payment of the principal of the Bonds, and (iii) redeeming Bonds in accordance with the provisions of the Indenture.

Except as otherwise provided in the Indenture, amounts in the Reserve Fund shall be invested by the Trustee solely in Permitted Investments, as directed in a Written Request of the District received by the Trustee no later than two Business Days prior to the making of such investment.

Limited Liability

The Series 2019 Bonds are payable solely from the proceeds of the Special Tax to be levied annually on the taxable property in the land within the District and amounts in certain funds established under the Indenture on a parity with the Series 2016 Bonds as more fully described in this Official Statement. Neither the full faith and credit nor the taxing power of the Authority, the County, the State or any political subdivision thereof is pledged to the payment of the Series 2019 Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Series 2019 Bonds. The Series 2019 Bonds are special tax obligations of the District payable solely from Net Special Tax Revenues and other amounts held under the Indenture as more fully described in this Official Statement.

THE DISTRICT

Authorization

Pursuant to the Act, the Governing Board adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of special taxes on taxable property within the boundaries of the District and to incur bonded indebtedness within the District. The Series 2019 Bonds are secured and payable solely from Net Special Tax Revenues, including foreclosure proceeds, on a parity with the Series 2016 Bonds. Following public hearings conducted pursuant to the provisions of the Act, the Governing Board adopted resolutions establishing the District and calling special elections to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of the District. On June 20, 2006, at an election held pursuant to the Act, the landowners who comprised the qualified voters of the District authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed \$27,000,000 to be secured by the levy of Special Taxes on taxable property within the District. On that same date, the landowners within the District approved the rate and method of apportionment of the Special Taxes on land within the District to pay the principal of and interest on the Bonds of the District.

On June 11, 2013, the Governing Board adopted a resolution proposing changes to the District, including changes to the original rate and method of apportionment. On August 27, 2013, the qualified voters of the District approved the amended and restated rate and method of apportionment for the District (as amended and restated, the “Rate and Method”). The Rate and Method is set forth in Appendix C.

Rate and Method

Capitalized terms that are used in this section but not otherwise defined in this Official Statement have the meanings given to them in the Rate and Method. See “APPENDIX C – AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Attachment E - Preliminary Official Statement

Under the Rate and Method, on or about July 1 of each Fiscal year, the Administrator will identify the current Assessor's Parcel numbers for Taxable Property within the District. The Administrator will then (i) categorize each Parcel of Taxable Property as Developed Property or Undeveloped Property, (ii) categorize Developed Property as Single Family Attached Property, Single Family Detached Property, or Other Property, (iii) determine the Living Area within each For-Sale Residential Unit, and (iv) determine the Special Tax Requirement. For Single Family Attached Property, the number of Residential Units will be determined by referencing the condominium plan, site plan or other development plan for the property.

Each Fiscal Year, the Administrator will determine the Facilities Special Tax Requirement and will levy the Facilities Special Tax as follows:

Step 1: The Facilities Special Tax (referred to in this Official Statement as the Special Tax) will be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Facilities Special Tax for such Fiscal Year until the amount levied on Developed Property is equal to the Facilities Special Tax Requirement prior to applying any Capitalized Interest that is available in the CFD accounts;

Step 2: If additional revenue is needed to satisfy the Facilities Special Tax Requirement after Step 1 and after applying Capitalized Interest to reduce the Facilities Special Tax Requirement, the Special Tax will be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Facilities Special Tax for Undeveloped Property;

Step 3: If additional revenue is needed to satisfy the Special Tax Requirement after applying the first two steps, the Special Tax will be levied Proportionately on each Assessor's Parcel of Excess Public Property, up to 100% of the Maximum Facilities Special Tax for Undeveloped Property for such Fiscal Year.

In the Rate and Method, the Administrator will also determine the Services Special Tax Requirement and will levy the Services Special Tax Proportionately on each Parcel of Developed Property up to 100% of the Maximum Services Special Tax for such Fiscal Year until the amount levied on Developed Property is equal to the Services Special Tax Requirement for that Fiscal Year. No Services Special Tax will be levied on Undeveloped Property or Excess Public Property. **The Series 2019 Bonds are not secured by the Services Special Tax.**

Developed Property is defined in the Rate and Method as all Parcels of Taxable Property for which a building permit for new construction was issued on or prior to June 30 of the preceding Fiscal Year.

Pursuant to the Indenture, the District will fix and levy the amount of Special Taxes within the District required for the payment of principal and of interest on the Bonds becoming due and payable on the next Interest Payment Date, including any necessary replenishment or expenditure of the Reserve Fund and an amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in the funds, and any transfer or expected transfers expected to occur for such purpose, under the Indenture. For Fiscal Year 2019-20 the District has levied Special Taxes only on Developed Property at 100% of the Maximum Facilities Special Tax amount with no levy of Special Taxes on Undeveloped Property. Although the Rate and Method permits the levy of Special Taxes on Undeveloped Property, the District does not expect to levy Special Taxes on Undeveloped Property.

Pursuant to the Indenture, the District will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the District will, to the extent permitted by law, commence and pursue reasonable legal

Attachment E - Preliminary Official Statement

actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Pursuant to the Act, the Special Taxes levied in any Fiscal Year against any parcel of residential property in the District may not be increased as a consequence of delinquency or default by the owners of any other parcels within the District by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

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Summary of Special Tax Levy

The following table sets forth the maximum Special Tax levy as well as the actual levied amounts for Fiscal Year 2019-20.

**TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON PROJECT)**

FISCAL YEAR 2019-20 SPECIAL TAX LEVY SUMMARY

Product Type	FY 2019-20 Maximum Facilities Special Tax	FY 2019-20 Actual Facilities Special Tax	Units/ Acres	FY 2019-20 Total Facilities Special Tax Levy
Single Family Detached Property	<i>(per Residential Unit)</i>			
Less than 1,400 Sq. Ft.	\$ 1,425.52	\$ 1,425.52	0 Units	\$ 0
1,400 - 1,550 Sq. Ft.	1,546.14	1,546.14	39 Units	60,299
1,551 - 1,700 Sq. Ft.	1,648.36	1,648.36	147 Units	242,309
1,701 - 1,850 Sq. Ft.	1,790.80	1,790.80	60 Units	107,448
1,851 - 2,000 Sq. Ft.	1,933.24	1,933.24	168 Units	324,784
2,001 - 2,150 Sq. Ft.	2,035.48	2,035.48	61 Units	124,164
2,151 - 2,300 Sq. Ft.	2,198.58	2,198.58	26 Units	57,163
2,301 - 2,450 Sq. Ft.	2,259.46	2,259.46	47 Units	106,195
2,451 - 2,600 Sq. Ft.	2,339.88	2,339.88	36 Units	84,236
2,601 - 2,750 Sq. Ft.	2,482.30	2,482.30	4 Units	9,929
2,751 - 2,900 Sq. Ft.	2,584.54	2,584.54	48 Units	124,058
Greater than 2,900 Sq. Ft.	2,686.78	2,686.78	22 Units	59,109
Single Family Attached Property	<i>(per Residential Unit)</i>			
Less than 800 Sq. Ft.	\$ 895.98	\$ 895.98	0 Units	\$ 0
800 - 1,000 Sq. Ft.	1,038.42	1,038.42	0 Units	0
1,001 - 1,450 Sq. Ft.	1,098.14	1,098.14	13 Units	14,276
1,451 - 1,650 Sq. Ft.	1,343.96	1,343.96	0 Units	0
1,651 - 1,800 Sq. Ft.	1,485.26	1,485.26	11 Units	16,338
1,801 - 1,975 Sq. Ft.	1,607.02	1,607.02	39 Units	62,674
1,976 - 2,150 Sq. Ft.	1,689.72	1,689.72	0 Units	0
Greater than 2,150 Sq. Ft.	1,790.80	1,790.80	30 Units	53,724
	<i>(per Acre)</i>			
Undeveloped Property	\$29,041.08	\$ 0.00	25.7 Acres	\$ 0
Total FY 2019-20 Special Tax Levy				\$1,446,706

Source: County of Monterey; Goodwin Consulting Group, Inc.

Expected Tax Burden

The following table sets forth an estimated property tax bill for selected single family detached homes within the District.

**TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON PROJECT)**

FISCAL YEAR 2019-20 ILLUSTRATIVE TAX BILL

	Single Family Detached Lots											
	1,400 - 1,550 SF	1,551 - 1,700 SF	1,701 - 1,850 SF	1,851 - 2,000 SF	2,001 - 2,150 SF	2,151 - 2,300 SF	2,301 - 2,450 SF	2,451 - 2,600 SF	2,601 - 2,750 SF	2,751 - 2,900 SF	> 2,900 SF	
Assumptions												
Average Assessed Value ⁽¹⁾	\$503,679	\$522,291	\$545,376	\$585,644	\$688,756	\$625,634	\$686,416	\$719,973	\$684,009	\$742,743	\$877,680	
Homeowner's Exemption	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,004)	(7,000)	(7,000)	(7,001)	(7,001)	(7,001)	
Net Expected Assessed Value	\$496,679	\$515,291	\$538,376	\$578,644	\$681,756	\$618,630	\$679,416	\$712,973	\$677,008	\$735,742	\$870,679	
Ad Valorem Tax Rate⁽²⁾												
County General	1.0000	\$4,967	\$5,153	\$5,384	\$5,786	\$6,818	\$6,186	\$6,794	\$7,130	\$6,770	\$7,357	\$8,707
Monterey Pen CCD 2002, 2013, 2016 GO's	0.0212	105	109	114	123	144	131	144	151	143	156	184
Monterey Pen USD 2010, 2016 GO's	0.0920	457	474	495	532	627	569	625	656	623	677	801
Total Ad Valorem Taxes	1.1131	\$5,529	\$5,736	\$5,993	\$6,441	\$7,589	\$6,886	\$7,563	\$7,936	\$7,536	\$8,190	\$9,692
Direct Charges⁽³⁾												
Monterey County Water Resources Agency		\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17
Monterey Co Regional Fire-East Garrison Spec Tax		424	453	492	531	559	604	620	643	661	710	738
No Salinas Valley Mosquito Abatement Dist.		6	6	6	6	6	6	6	6	6	6	6
Mtry Pen Reg Park District		27	27	27	27	27	27	27	27	27	27	27
CSA 74 EMS Amb County Wide		12	12	12	12	12	12	12	12	12	12	12
EGPFA CFD No. 2006-1 - Services		1,599	1,703	1,849	1,996	2,103	2,271	2,333	2,418	2,565	2,670	2,775
EGPFA CFD No. 2006-1 - Facilities		1,546	1,648	1,791	1,933	2,035	2,199	2,259	2,340	2,482	2,585	2,687
Total Direct Charges		\$3,631	\$3,867	\$4,193	\$4,522	\$4,759	\$5,136	\$5,274	\$5,462	\$5,770	\$6,026	\$6,261
Total Taxes and Direct Charges		\$9,160	\$9,603	\$10,186	\$10,964	\$12,348	\$12,022	\$12,837	\$13,399	\$13,306	\$14,216	\$15,953
Percentage of Average Assessed Value		1.82%	1.84%	1.87%	1.87%	1.79%	1.92%	1.87%	1.86%	1.95%	1.91%	1.82%

(1) Fiscal Year 2019-20 average assessed value of single family detached homes with improved values greater than \$225,000 within the corresponding special tax category.

(2) Based on the Fiscal Year 2018-19 ad valorem tax rates for the tax rate area within the District. Ad valorem tax rates are subject to change in future years.

(3) Based on the Fiscal Year 2018-19 charges identified on the Monterey County-issued property tax bills. Charges subject to change in future years.

Source: Monterey County Tax Collector's Office; Goodwin Consulting Group, Inc.

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Appraised and Assessed Property Value

The appraisal information below is only a summary of certain information contained in the Appraisal. The information below is qualified in its entirety by the complete Appraisal, attached as Appendix G. The District makes no representation as to the accuracy or completeness of the Appraisal.

The Series 2019 Bonds are secured by Special Taxes that may include amounts realized upon foreclosure sale of delinquent parcels. Therefore, the ability of the District to meet debt service on the Series 2019 Bonds may depend on the ability of delinquent parcels to generate sufficient proceeds upon foreclosure sale to pay delinquent Special Taxes. The District commissioned Integra Realty Resources, Rocklin, California (the “Appraiser”) to ascertain the market value by phase and cumulative, or aggregate, value of the fee simple interest in the appraised properties, subject to the hypothetical condition the Series 2019 Bonds have been issued and the taxable parcels are subject to the lien of the Special Tax securing the Series 2019 Bonds. Additionally, the market value of the completed single-family homes estimated in the Appraisal is a not-less-than estimate of value, as the estimate is based on the smallest floor plan offered within each corresponding subdivision, with no consideration to options, upgrades and additional improvements completed.

The Appraiser estimated that, as of the July 1 date of value of the Appraisal, the market value by phase and cumulative, or aggregate, value of the fee simple interest in the appraised properties, subject to the hypothetical condition the Series 2019 Bonds have been issued and the taxable parcels are subject to the lien of the Special Tax securing the Series 2019 Bonds, was \$437,818,396.

The appraised properties consist of the undeveloped single-family residential land (both improved lots and unimproved lots) still held by the Developer or BMC Affiliates (as defined herein), as well as completed single-family homes not currently assessed by the County Assessor’s Office for an improvement value. Additionally, there are 83 Assessor’s parcels appraised with home construction in various stages of development. These parcels are appraised as finished lots, with no contributory value given to any partial improvements; however, the value associated with the paid permit and impact fees associated with each home (parcel) are considered.

The Appraisal’s value estimates reflect certain assumptions set forth in the Appraisal including that all costs reported by the Developer are accurate, including but not limited to the remaining impact fees and lot costs for the physically finished lots and that no additional site costs are required for the build out of the District. Any variance in costs could impact the value conclusions reported in the Appraisal. For a full description of the assumptions relied upon by the Appraiser, as well as a description of the valuation methodology, see “APPENDIX G – APPRAISAL REPORT”. The Appraisal was prepared in accordance with and subject to the requirements of The Appraisal Standards for Land Secured Financing as published by the California Debt and Investment Advisory Commission, the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The Fiscal Year 2019-20 assessed value of the homes owned by individual homeowners within the District is \$403,635,295.

Estimated Direct and Overlapping Debt

The property within the District is within the jurisdiction of several overlapping local agencies providing public services. The direct and overlapping debt secured by such taxes, assessments and charges as of August 1, 2019 is shown on the following table (the “Debt Report”). The Debt Report is based on

data supplied to the District by California Municipal Statistics, Inc. and is included for general information purposes only. The District makes no representations as to its completeness or accuracy.

**TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON PROJECT)**

DIRECT AND OVERLAPPING DEBT SCHEDULE

2018-19 Assessed Valuation: \$362,931,415 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/19</u>
Monterey Peninsula Community College District	0.927%	\$1,090,386
Monterey Peninsula Unified School District	2.590	5,815,004
Monterey County Water Resources Agency Benefit Assessment District, Zone 2C	1.120	244,738
Monterey County East Garrison Community Facilities District No. 2006-1	100.	9,185,000⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$16,335,128⁽²⁾

⁽¹⁾ Excludes issue to be sold.

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

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$9,185,000)	2.53%
Total Overlapping Tax and Assessment Debt	4.50%

Source: California Municipal Statistics Inc.

Appraised and Assessed Value-to-Lien Ratios

The estimated appraised and assessed value-to-lien ratio for the Developed Property within the District is approximately 19.37*. There are certain overlapping general obligation debt liens on property within the District as shown in the direct and overlapping debt table above. The appraised and assessed value-to-lien ratio for the Developed Property, including the overlapping general obligation debt, is approximately _____*.

The value-to-lien ratios applicable to individual parcels vary widely. The value of the individual parcels is significant because, in the event of a delinquency in payment, the District's only remedy is to foreclose on the delinquent parcel. A parcel with a lower value-to-lien ratio may be less likely to sell at foreclosure or provide sale proceeds adequate to pay all delinquent Special Tax installments. The value-to-lien ratios shown in the table on the following page are based on assessed values or appraised values as determined in the Appraisal and may not correspond to market values at the time of a foreclosure. Prospective purchasers of the Series 2019 Bonds should not assume that the property within the District could be sold for the values listed in the below table. See the caption "SPECIAL RISK FACTORS—Land Values."

* Preliminary, subject to change.

The following table sets forth the range of value-to-lien ratios of the property within the District subject to the levy of the Special Taxes. No assurance can be given that, should a delinquent parcel be foreclosed and sold for the amount of the delinquency, any bid will be received for such parcel, or if a bid is received that such bid will be sufficient to pay such delinquent Special Taxes.

TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON PROJECT)

SUMMARY OF VALUE-TO-LIEN RATIOS

<u>Value to Lien</u>	<u>Taxable Parcels</u>	<u>Actual FY 2019-20 Special Tax Levy</u>	<u>FY 2019-20 Assessed/ Appraised Value</u>	<u>Allocated Bond Debt^{(1)*}</u>	<u>Average Value-to- Lien Ratio*</u>	<u>% of Allocated Bond Debt*</u>
Greater than 10:1	683	\$1,333,841	\$408,392,254	\$19,969,264	20.45:1	92.5%
3:1 to 10:1	61	107,923	8,724,600	1,615,736	5.40:1	7.5
Less than 3:1	0	0	0	0	--	0.0
N/A ⁽²⁾	173	0	19,762,965	0	--	0.0
Total	917	\$1,441,763	\$436,879,818	\$21,585,000	20.24:1	100.0%
Prepaid Parcels ⁽³⁾	4	\$4,943	\$938,578	n/a	n/a	n/a
Total	921	\$1,446,706	\$437,818,396	n/a	n/a	n/a

⁽¹⁾ Allocated based on the share of the actual Fiscal Year 2019-20 Special Tax levy. Includes the \$9,185,000 outstanding principal amount of the Series 2016 Bonds plus the estimated \$12,400,000 principal amount of the Series 2019 Bonds. Does not take into account overlapping bonded indebtedness. See "Table 3" above.

⁽²⁾ Although the Series 2019 Bonds are not being sized based on Special Tax capacity from Undeveloped Property, and Special Taxes are not being levied on Undeveloped Property in Fiscal Year 2019-20, Special Taxes could, per the Amended Rate and Method, be levied on Undeveloped Property in future Fiscal Years if such revenues were needed to meet the Facilities Special Tax Requirement. Therefore, Undeveloped Property is also security for the Bonds and the appraised value is included in the calculation shown above.

⁽³⁾ Reflects four parcels that have prepaid their facilities special tax after the Date of Value of the appraisal report.

* Preliminary, subject to change.

Source: County of Monterey; Integra Realty Resources; Goodwin Consulting Group, Inc.

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The following table sets forth the allocation of maximum Special Taxes and the actual Fiscal Year 2019-20 Special Tax levy among Developed Property based on ownership and development status and their respective value-to-lien ratios.

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON PROJECT)

ESTIMATED MAXIMUM SPECIAL TAX AND VALUE-TO-LIEN RATIOS
(DEVELOPMENT STATUS AS OF JUNE 30, 2019)⁽¹⁾

<u>Special Tax Category⁽²⁾</u>	<u>Taxable Parcels</u>	<u>Maximum FY 2019-20 Special Tax</u>	<u>Actual FY 2019-20 Special Tax Levy</u>	<u>Percent of Actual Special Tax Levy</u>	<u>FY 2019-20 Assessed/ Appraised Value</u>	<u>Allocated Bond Debt^{(3)*}</u>	<u>Value- to- Lien Ratio*</u>
Developed Property⁽⁴⁾							
Individual Homeowners Developer or BMC Affiliates Owned	669	\$1,309,769	\$1,309,769	90.5%	\$403,029,717	\$19,608,878	20.55:1
Completed Homes	4	7,061	7,061	0.5	1,847,344	105,712	17.48:1
Homes Under Construction	71	124,933	124,933	8.6	12,239,793	1,870,410	6.54:1
Subtotal	<u>744</u>	<u>\$1,441,763</u>	<u>\$1,441,763</u>	<u>99.7%</u>	<u>\$417,116,853</u>	<u>\$21,585,000</u>	<u>19.32:1</u>
Undeveloped Property⁽⁵⁾							
Owned by Developer or BMC Affiliates	173	\$746,356	\$0	0.0%	\$19,762,965	\$0	-
Subtotal	173	\$746,356	\$0	0.0%	\$19,762,965	\$0	-
Total	<u>917</u>	<u>\$2,188,119</u>	<u>\$1,441,763</u>	<u>99.7%</u>	<u>\$436,879,818</u>	<u>\$21,585,000</u>	<u>20.24:1</u>
Prepaid Parcels⁽⁶⁾							
	4	\$4,943	\$4,943	0.3%	\$938,578	n/a	n/a
Total	<u>921</u>	<u>\$2,193,062</u>	<u>\$1,446,706</u>	<u>100.0%</u>	<u>\$437,818,396</u>	<u>n/a</u>	<u>n/a</u>

(1) Under the Rate and Method, Developed Property includes Taxable Property for which a building permit for new construction was issued on or prior to June 30 of the preceding Fiscal Year.

(2) Ownership information per the Assessor's Tax Roll, as of the lien date.

(3) Allocated based on the share of the actual Fiscal Year 2019-20 Special Tax levy. Includes the \$9,185,000 outstanding principal amount of the Series 2016 Bonds plus the estimated \$12,400,000 principal amount of the Series 2019 Bonds. Does not take into account overlapping bonded indebtedness. See "Table 3" above.

(4) As of July 1, 2019, 58 parcels have fully prepaid their Facilities Special Taxes, including [] Townhome (BMR) affordable housing parcels. A total of 806 parcels have issued building permits in the District.

(5) Although the initial principal of the Bonds is not being sized based on special tax capacity from Undeveloped Property, special taxes could, per the Rate and Method, be levied on property if such revenues were needed to meet the Facilities Special Tax Requirement. Therefore, Undeveloped Property is also security for the Bonds and the value is included in the calculation shown above.

(6) Reflects four parcels that have prepaid their facilities special tax after the Date of Value of the appraisal report.

* Preliminary, subject to change.

Source: County of Monterey; Integra Realty Resources; Goodwin Consulting Group, Inc.

Delinquency History

The following table is a summary of Special Tax levies and delinquency rates for Fiscal Years 2013-14 through 2018-19. The County levies and collects all property taxes for property falling within its taxing boundaries. The County has not adopted the alternative method of secured property tax apportionment known as the Teeter Plan, which provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end.

TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON PROJECT)

DELINQUENCY HISTORY

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End			Delinquencies as of July 11, 2019		
			Parcels Delinquent	Amount Delinquent ⁽¹⁾	Percent Delinquent	Parcels Delinquent	Amount Delinquent ⁽¹⁾	Percent Delinquent
2013-14	42	\$88,070	0	\$0	0.0%	0	\$0	0.0%
2014-15	110	\$201,527	1	\$746	0.4%	0	\$0	0.0%
2015-16	184	\$347,417	1	\$2,031	0.6%	0	\$0	0.0%
2016-17	332	\$632,346	0	\$0	0.0%	0	\$0	0.0%
2017-18	501	\$970,813	0	\$0	0.0%	0	\$0	0.0%
2018-19	609	\$1,201,042	3	\$4,984	0.4%	3	\$4,948	0.4%

⁽¹⁾ Delinquent amount does not include penalties, interest, or fees.

Source: County of Monterey Treasurer-Tax Collector's Office; Goodwin Consulting Group, Inc.

PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT

The following information regarding the ownership of the property, the Developer, and the planned development of the property contained in the District has been provided by the Developer for use in this Official Statement, and has not been independently confirmed or verified by the District or the Underwriter. Neither the District nor the Underwriter makes any representation as to the accuracy or adequacy of this information or the absence of any material change after the date of this Official Statement. No assurance can be given that the proposed development will occur as described in this Official Statement or that it will be completed in the timeframe currently projected. As the proposed land development progresses and parcels are sold, it is expected that the ownership of the land within the District will become more diversified. No assurance can be given that any landowner described in this Official Statement will obtain or retain ownership of any of the land within the District. The Bonds and the Special Taxes are not personal obligations of any landowners, including the Developer, and, if a landowner defaults in the payment of the Special Taxes, the District may proceed with judicial foreclosure against the delinquent parcels but has no direct recourse to the assets of any landowner. As a result, other than as provided in this Official Statement, no financial statements or information is, or will be, provided about the Developer, affiliates, or any other landowners. The Bonds are secured solely by the Special Taxes and other amounts pledged under the Indenture. See "SECURITY FOR THE SERIES 2019 BONDS" and "SPECIAL RISK FACTORS."

Developer and Affiliates

UCP East Garrison, LLC, a Delaware limited liability company (previously defined as the "Developer"), the developer of the East Garrison Project, is a wholly owned subsidiary of UCP, LLC, the sole member of which is Casa Acquisition Corp., a Delaware corporation. All shares of Casa Acquisition Corp. are held by Century Communities, Inc., a Delaware corporation (the "Parent"), and, accordingly, the Developer is a wholly owned subsidiary of the Parent. The Parent is engaged in the design, construction, and sale of master planned communities throughout the United States.

The Parent is a publicly traded company listed on the New York Stock Exchange under the ticker symbol "CCS." The Parent is subject to the informational requirements of the Securities Exchange Act of 1934, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the Securities and Exchange Commission (the "SEC"). Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial

position of the Parent and its subsidiaries. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including the Parent. The address of such Internet web site is www.sec.gov. All documents subsequently filed by the Parent pursuant to the requirements of the Securities Exchange Act of 1934 after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of the Developer's annual report, quarterly reports and current reports, including any amendments, will be available from the Parent's website at www.investors.centurycommunities.com.

The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on these Internet sites.

The Developer is responsible for performing all the land development work at the East Garrison Project. The Developer then transfers developed, mapped residential lots to affiliates that are also wholly-owned subsidiaries of UCP, LLC. As of July 1, 2019, the Developer has transferred property that has been or will be developed as 929 units to the following affiliates: BMC EG Bluffs, LLC; BMC EG Bungalow, LLC; BMC EG Courtyards, LLC; BMC EG Garden, LLC; BMC EG Grove, LLC; BMC EG Towns, LLC; and BMC EG Village, LLC (collectively, the "BMC Affiliates"). Each BMC Affiliate owns lots based on product type (for instance, BMC EG Towns, LLC owns the townhome parcels within the East Garrison Project) and sells completed homes to homebuyers. The homes are constructed under the general contractor license of Benchmark Communities, LLC, which is also a wholly-owned subsidiary of UCP, LLC.

BMC Affiliate	Community	Phases	Original Number of Units
BMC EG Garden, LLC	Monarch	Phases 1, 2, and 3	198
BMC EG Bungalow, LLC	Artisan	Phases 1, 2, and 3	178
BMC EG Village, LLC	Heritage	Phases 1 and 2	140
BMC EG Courtyards, LLC	Promenade	Phase 1	50
BMC EG Grove, LLC	Grove	Phases 1, 2, and 3	192
BMC EG Towns, LLC	Liberty	Phases 1 and 2	150
BMC EG Bluffs, LLC	Vantage	Phases 1 and 3	21
	TOTAL		929

Other than the 196 affordable rental units which will be developed by a third-party non-profit, the remaining property, not already transferred to BMC Affiliates (929 units), are owned by the Developer (i.e., property that has been or will be developed as 84 affordable townhomes, 151 condominiums and 40 town center lofts, for a total of 275 units).

East Garrison Project

The East Garrison Project is within the boundaries of the former United States Army base known as Fort Ord, a territory encompassing approximately 28,000 acres with lands in the cities of Marina, Seaside, and Del Rey Oaks and in the County. According to the Fort Ord Reuse Authority ("FORA"), Fort Ord became a fully operating military base in 1917 and a major training post during World War II. The United States selected the base for realignment and closure in 1991 and officially closed the base in September 1994. When the United States Army announced the closure of Fort Ord, a multi-jurisdictional agency, FORA, was formed to guide the redevelopment of the former Fort Ord. To that end, FORA prepared the

Fort Ord Reuse Plan (the “Reuse Plan”), a planning document containing land uses and development objectives, programs and policies intended to guide the redevelopment of the former Fort Ord and the transfer of lands to local, state and federal jurisdictions. According to the Reuse Plan, lands within the former Fort Ord have been designated for open space and recreation, ongoing military operations, and many types of development including, but not limited to, residential, educational facilities, office and research parks, light industrial and business parks, commercial and retail businesses, and a variety of visitor-serving uses such as lodging, golf courses, beaches, community parks, and equestrian facilities.

FORA transferred the East Garrison Project site to the Redevelopment Agency of the County of Monterey (the “Agency”). The Agency conveyed the East Garrison property to East Garrison Partners I, LLC pursuant to the DDA. However, with the recession starting in late 2007, work on the East Garrison Project slowed. East Garrison Partners I, LLC, subsequently defaulted on its private loan secured by the East Garrison Project. Through an arrangement agreed to by the lender, the Developer and East Garrison Partners I, LLC, the loan was acquired by the Developer, who foreclosed upon the East Garrison Project in September 2009. In 2011, after foreclosing upon and taking title to the East Garrison Project, the Developer entered into an Implementation Agreement with the Agency, in which the Developer assumed the rights and obligations of East Garrison Partners I, LLC under the DDA, as developer of the East Garrison Project.

The East Garrison Project site is located within unincorporated County, approximately 2 miles east of the City of Marina and 5.5 miles southwest of the City of Salinas. More specifically, the project site is located on the edge of the northern boundary of Fort Ord in an area known as East Garrison. The site is generally bounded by Reservation Road on the north and east, Watkins Gate Road on the south, and West Camp Street (and its northerly extension) on the west. The site also shares a boundary to the south with an abandoned firing range that was identified as a potential area for future residential development. To the north of the site are University of California Monterey Bay, Education, Science, and Technology Center, agricultural lands, and the Salinas River. In addition, the California State University Monterey Bay campus is located approximately one mile west of the site.

Vehicular access to the site is currently provided via Inter-Garrison Road and East Garrison Drive which intersect with Reservation Road. Watkins Gate Road connects Reservation Road and General Jim Moore Boulevard. Reservation Road connects to the City of Marina and to State Route 68 between Salinas and Monterey.

The East Garrison Project is an approximately 244-acre master planned development entitled and approved by the County for a mix of uses including, but not limited to, 1,400 detached homes, townhomes, condominiums, live/work residences, apartments, and 70 accessory dwelling units or “granny units”; a minimum of 34,000 square feet of commercial uses; 11,000 square feet of public and institutional uses; up to 100,000 square feet of artist, cultural and educational uses; approximately 50 acres of parks, trails and open space; and, associated roadways, landscaping, and utility infrastructure. The development and land uses within the East Garrison Project are described in the document titled “East Garrison Specific Plan, Monterey, California,” dated September 2005 (the “Specific Plan”).

The East Garrison Project, as described in the Specific Plan, is anticipated to consist of three neighborhood phases and a Town Center. The Phase 1 and Phase 2 neighborhoods, comprising most of the area west of East Garrison Drive, are planned to consist of single-family detached and attached homes, multi-family residential, parks, a fire station, and a network of greenways and open space. The Phase 3 “Arts District,” comprising most of the area east of Chapel Hill Road, is planned to consist of live/work lofts, single-family detached and attached homes, multi-family residential, cultural, arts and educational uses, and open space and parkways. The Town Center, located generally in the center of the East Garrison Project, is planned to consist of up to 34,000 square feet of community uses, apartments and/or

condominiums, a sheriff's community field office, a library, a charter school, if feasible, and/or other public and civic uses.

Residential Uses

When completed, the neighborhoods are anticipated to include a spectrum of housing opportunities. A summary of the intended number of units to be developed within each Phase is set forth in the below table (as of July 1, 2019).

UNIT TYPE	PHASE 1 OAKS DISTRICT	PHASE 2 PARKS DISTRICT	PHASE 3 ARTS DISTRICT	TOTAL
<i>Single Family Detached Home Collections</i>				
Grove	3	94	95	192
Monarch	59	73	66	198
Artisan	77	79	22	178
Promenade	50	0	0	50
Heritage	71	69	0	140
Vantage	12	0	9	21
Subtotal	<u>272</u>	<u>315</u>	<u>192</u>	<u>779</u>
<i>Single Family Attached Homes</i>				
Liberty Townhomes - Market Rate	41	58	2	101
Liberty Townhomes - Affordable Moderate Income ⁽¹⁾	19	32	33	84
Live-Work Homes	49	0	0	49
Subtotal	<u>109</u>	<u>90</u>	<u>35</u>	<u>234</u>
<i>Multi-Family Homes</i>				
Condominiums	0	0	151	151
Town Center Lofts	40	0	0	40
Rental Affordable Apartments	65	65	66	196
Subtotal	<u>105</u>	<u>65</u>	<u>217</u>	<u>387</u>
TOTAL	<u>486</u>	<u>470</u>	<u>444</u>	<u>1,400</u>

⁽¹⁾ Pursuant to the DDA, the Developer is obligated to sell the Affordable Moderate Income Townhomes at a specified price based upon a formula based on the moderate income levels in Monterey County. To satisfy this requirement without adversely affecting the purchase price of the units, the Developer decided in 2017 to prepay Special Taxes upon closing the sale of an Affordable Moderate Income Townhome. Currently, the Developer expects to sell one Affordable Moderate Income Townhome per month until all are sold. No assurances can be made that the prepayment program for the Affordable Moderate Income Townhomes will continue, or that the number of sales per month will occur as currently anticipated.

Town Center

Approximately 16 acres in the center of the East Garrison site is planned to be devoted to a Town Center. The Town Center will be the community's Town Square, a public space serving as the primary gathering place for residents and visitors and acting as a venue for hosting community events, festivals, and concerts. The Town Center will potentially include commercial uses such as shops, art galleries, banking and other services, offices, cafes, restaurants, and public and institutional uses. Some housing will be located in the Town Center, either in apartments or condominiums above retail space, or as live/work units. Below are the milestones for the Town Center construction obligations per the DDA:

- By the close of escrow of the first lot in Phase 3, the Developer shall post a completion bond for 34,000 sq. ft. of required Town Center. This was completed in September 2018.
- By close of escrow of the 200th lot in Phase 3, 20,000 sq. ft. of the Town Center must be completed or bond must be released to Agency along with Right of Entry so Successor Agency can complete Town Center. By close of escrow of last residential unit in Phase 3, complete remaining 14,000 sq. ft. The Town Center improvement plans are currently in plan check with the County and the Developer anticipates completing this requirement in a timely manner.

Public Facilities

Pursuant to both the DDA and a separate agreement with the Monterey County Regional Fire District, the Developer is required to contribute approximately \$4,725,000 (as of July 2015 – the amount fluctuates based on the Engineering News Record Building Construction Index, San Francisco Bay Area) towards public facilities within the East Garrison Project community. The contribution has been partially satisfied in the form of the construction of a fire station that was completed in May 2018 by the Developer and dedicated and accepted by the Monterey County Regional Fire District. The Developer will make a cash payment for the remaining contribution obligation once the County and the Developer have confirmed the residual amount due. The residual amount is currently estimated at \$1,350,000, but fluctuates based on the Engineering News Record Building Construction Index, San Francisco Bay Area.

Parks and Open Space

The East Garrison Project includes 12.65 acres of parkland with walking paths, playfields, play areas, court games, and community gathering spaces. This system of parks, in addition to open space and habitat preserve, will provide the community with both active and passive recreational opportunities.

Natural slopes have been preserved along the edge of the site and in other areas of grade transition between neighborhoods. To the extent practicable, invasive plant species in these areas have been replaced with native plant materials.

Phase 1 – The two neighborhood parks in Phase 1 comprise a combined total of 1.7 + acres. Both parks have been completed and are open to the community.

1. Cordell Hull Park: Amenities in this park include a basketball court, playground with resilient surfacing, swings, BBQ's, picnic tables, bike racks, benches, and a lawn area for play.
2. Eleanor Roosevelt Park: This park consists of a large passive lawn area for open play. A Gazebo and benches provide an environment encouraging neighborhood activities.

Phase 2 - The two neighborhood parks in Phase 2 comprise a combined total of 1.07 acres. Both parks have been completed and accepted by the East Garrison Community Services District.

1. Douglas MacArthur Park: On the edge of Phase 2, this park provides a transitional landscape area between the community and surrounding native vegetation. The park includes a tot-lot, benches, and a sand volleyball court.
2. George Patton Park: In the middle of Phase 2, this linear park provides shaded seating areas, ornamental plantings, lawn area, and a sculpture.

Phase 3 – two neighborhood parks and a Bluff Greenway provide 2.10 acres of open space. These parks have been completed and accepted by the East Garrison Community Services District.

1. Arts Park: this park abuts the planned affordable artist units and will provide a green multi-purpose space for relaxation and community gatherings.
2. Bluff Park: This park sits on the Bluff overlooking Salinas Valley. Amenities include a dog park, basketball court, bocce ball lanes, and a playground.
3. Bluff Greenway: The Greenway is a combination of landscaped and native vegetation that preserves the bluff overlooking Salinas Valley. The major feature of this area is a pedestrian path and sitting area that take advantage of the views.

Lincoln Park is the large 6.7-acre active park located directly in the center of the East Garrison community. This park contains active play fields, bathrooms, basketball courts, playground, picnic tables and multiple gathering spaces. Lincoln Park also abuts a 6.2 acre sloped open space of native vegetation that contains a natural pathway. Lincoln Park is complete and open to the community.

Town Square Park is a 1-acre Town Square Park to be constructed in conjunction with the construction of the Town Center commercial buildings. This linear park is located between the opposing Town Center facades to create gardens and sitting areas for the Town Center shoppers and general community. It is anticipated that this park will provide venues for gatherings and festivals. Construction has not yet commenced, but the Developer expects to complete this park by the fourth quarter of 2020.

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Status of Development

Phase 1 – The Oaks District – The Developer has completed all the land development for this phase. The public streets and storm system have been built and substantially accepted by the County. The water and sewer facilities have also been completed and accepted by the Marina Coast Water District. At buildout, The Oaks District is planned to contain 486 residential units. As of July 1, 2019, Phase 1 consisted of the following:

**Phase 1 – The Oaks District
(as of July 1, 2019)**

Plan	Finished Lots Owned by the Developer	Homes Under Construction Owned by the Developer	Completed Homes Owned by the Developer	Closed to Individual Homeowners	Expected Number of Homes at Buildout
Grove	0	0	0	3	3
Monarch	0	0	0	59	59
Artisan	0	0	0	77	77
Promenade	0	0	0	50	50
Heritage	0	0	1 ⁽¹⁾	70	71
Vantage	0	0	0	12	12
Townhomes (Market)	0	0	3 ⁽²⁾	38	41
Townhomes (BMR) ⁽³⁾	0	1 ⁽⁴⁾	1 ⁽²⁾	17	19
Town Center Lofts	40	0	0	0	40
Live-Work	49	0	0	0	49
BMR Apartments ⁽⁵⁾	N/A	N/A	N/A	N/A	65
TOTAL:	89	1	5	326	486

⁽¹⁾ Former Sales Office.

⁽²⁾ Model Homes.

⁽³⁾ Pursuant to the DDA, the Developer is obligated to sell the Townhomes (BMR) at a specified price based upon a formula based on the moderate income levels in Monterey County. To satisfy this requirement without adversely affecting the purchase price of the units, the Developer decided in 2017 to prepay Special Taxes upon closing the sale of a Townhome (BMR). Currently, the Developer expects to sell one Townhome (BMR) per month until all are sold. No assurances can be made that the prepayment program for the Townhomes (BMR) will continue, or that the number of sales per month will occur as currently anticipated.

⁽⁴⁾ Under contract.

⁽⁵⁾ 65 occupied affordable rental apartments. Built and owned by third party non-profit. Developer only provided finished pads and utility stubs.

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Phase 2 – The Parks District – The Developer has completed all the land development for Phase 2. The public streets and storm system have been built and substantially accepted by the County. The water and sewer facilities have also been completed and accepted by the Marina Coast Water District. At buildout, The Parks District is planned to contain 470 residential units. As of July 1, 2019, Phase 2 consisted of the following:

**Phase 2 – The Parks District
(as of July 1, 2019)**

Plan	Finished Lots Owned by the Developer	Homes Under Construction Owned by the Developer	Completed Homes Owned by the Developer	Closed to Individual Homeowners	Expected Number of Homes at Buildout
Grove	0	0	0	94	94
Monarch	0	0	0	73	73
Artisan	0	0	0	79	79
Heritage	0	0	0	69	69
Townhomes (Market)	12	25 ⁽¹⁾	3	18	58
Townhomes (BMR) ⁽²⁾	7	14 ⁽³⁾	0	11	32
BMR Apartments ⁽⁴⁾	N/A	N/A	N/A	N/A	65
TOTAL:	19	39	3	344	470

⁽¹⁾ 22 homes under contract.

⁽²⁾ Pursuant to the DDA, the Developer is obligated to sell the Townhomes (BMR) at a specified price based upon a formula based on the moderate income levels in Monterey County. To satisfy this requirement without adversely affecting the purchase price of the units, the Developer decided in 2017 to prepay Special Taxes upon closing the sale of a Townhome (BMR). Currently, the Developer expects to sell one Townhome (BMR) per month until all are sold. No assurances can be made that the prepayment program for the Townhomes (BMR) will continue, or that the number of sales per month will occur as currently anticipated.

⁽³⁾ 6 homes under contract.

⁽⁴⁾ The property underlying the BMR Apartments was prepared to finished lot condition by the Developer (pad graded and utility stubbed). The Developer has entered into a memorandum of agreement with a non-profit to build the 65 affordable rental apartments; however, the non-profit has not yet been able to procure funding to finance the apartments.

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Phase 3 - The Arts District – The Developer is developing the property in a neighborhood known as “The Arts District.” The Developer has completed all the land development for Phase 3. The public streets and storm system have been built and substantially accepted by the County. The water and sewer facilities have also been completed and accepted by the Marina Coast Water District. At buildout, The Arts District is planned to contain 444 residential units. As of July 1, 2019, Phase 3 consisted of the following:

**Phase 3 – The Arts District
(as of July 1, 2019)**

Plan	Finished Lots Owned by the Developer	Homes Under Construction Owned by the Developer	Completed Homes Owned by the Developer	Closed to Individual Homeowners	Expected Number of Homes at Buildout
Grove	64	11 ⁽¹⁾	3 ⁽²⁾	17	95
Monarch	33	10 ⁽³⁾	3 ⁽⁴⁾	20	66
Artisan	0	0	0	22	22
Vantage	0	0	5	4	9
Townhomes (Market)	2	0	0	0	2
Townhomes (BMR) ⁽⁵⁾	33	0	0	0	33
Condos	151	0	0	0	151
BMR Apartments ⁽⁶⁾	N/A	N/A	N/A	N/A	66
TOTAL:	283	21	11	63	444

⁽¹⁾ All homes under contract.

⁽²⁾ 3 model homes.

⁽³⁾ 9 homes under contract.

⁽⁴⁾ 2 model homes.

⁽⁵⁾ Pursuant to the DDA, the Developer is obligated to sell the Townhomes (BMR) at a specified price based upon a formula based on the moderate income levels in Monterey County. To satisfy this requirement without adversely affecting the purchase price of the units, the Developer decided in 2017 to prepay Special Taxes upon closing the sale of a Townhome (BMR). Currently, the Developer expects to sell one Townhome (BMR) per month until all are sold. No assurances can be made that the prepayment program for the Townhomes (BMR) will continue, or that the number of sales per month will occur as currently anticipated.

⁽⁶⁾ The property underlying the BMR Apartments were prepared to finished lot condition by the Developer (pad graded and utility stubbed). The Developer has entered into a memorandum of agreement with a separate non-profit to develop the 66 affordable rental apartments; however, the non-profit has not yet been able to procure funding to finance the apartments.

Status of Regulatory Permits, Entitlements and Infrastructure

All the public improvements with respect to the development of Phases 1, 2, and 3 have been completed and accepted by the applicable jurisdictional entities (either the County or the Marina Coast Water District).

The Developer, or its predecessor developer, has completed the installation of various road, water and sewer improvements serving the District and surrounding areas. It is anticipated that the Developer will be reimbursed approximately \$11.6 million from proceeds of the Bonds for such improvements.

Financing Plan

As of June 1, 2019, all infrastructure needed to serve Developer’s property in Phases 1, 2, and 3 of the District has been completed.

To date, financing of land acquisition, site development and home construction costs related to Developer’s property in the District has been made through internal sources (including cash on hand and

home sales proceeds), and non-recourse secured financing provided by U.S. Bank National Association, d/b/a Housing Capital Company) (“Housing Capital”). The Housing Capital loan has been repaid. For future costs, the Developer expects to use home sale proceeds, internal funding and, perhaps, future credit facilities to complete its development activities in the District. The Developer believes that such funding sources will be sufficient to complete its proposed development in the District.

The Developer, through the BMC Affiliates, previously obtained multiple acquisition and development and revolving construction loans from Housing Capital to partially finance the development and construction activities within the East Garrison Project. For each loan, the BMC Affiliate who owned specific lots was the borrower and granted Housing Capital a deed of trust recorded against such lots and were subject to corporate guaranties. All of these loans have been paid in full and all deeds of trust have been reconveyed.

Although the Developer expects to have sufficient funds available to complete development in the District in accordance with the development schedule described in this Official Statement, see “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – East Garrison Project,” there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from Developer or any other source when needed. For example, home sales revenue, which is accumulated daily for use in operations, to pay debt service on outstanding debt, and for other corporate purposes, may be diverted to pay costs other than the costs of completing the project at the discretion of the Developer management. Neither the Developer nor any of its related entities are under any legal obligation of any kind to expend funds for the development of and construction of homes on its property in the District. Any contributions by the Developer to fund the costs of such development and home construction are entirely voluntary.

If and to the extent that internal funding and existing loan sources, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by the Developer within the District and other financing by the Developer is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Developer in the District.

The table below details Developer’s estimated construction budget for its development within the District. Such budget has been prepared based upon assumptions of future sales revenues, development costs, operating costs, property taxes, public facilities financing, and other matters. There can be no assurance that the actual development costs will not be greater than projected or occur sooner than projected, nor that the revenues will not be less than anticipated or be realized later than anticipated.

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**Benchmark Homes Construction Budget
(as of June 1, 2019)**

<u>Description</u>	<u>Total</u>
Land Acquisition & Entitlement	\$ 79,271,872
Home Construction	175,255,583
Vertical Indirects (Including Fees/Permits)	49,311,659
Horizontal Improvements	47,852,036
Selling & Marketing	12,364,251
Interest	13,869,458
Warranty	1,741,304
Other Expense	4,241,238
Total Expenditures through June 1, 2019	<u>\$383,907,401</u>
Remaining Home Construction/Related Costs ⁽¹⁾	\$100,815,138

⁽¹⁾ [Reflects the estimated costs to build the remaining homes in the District.]

Source: Developer.

History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy

The Developer has represented to the District in an executed Letter of Representations of UCP East Garrison, LLC (the “Letter of Representations”) as follows:

1. Except as described in this Official Statement, there are no material loans outstanding and unpaid, and no material lines of credit of the Developer or its Affiliates, that are secured by an interest in the Property. Neither the Developer nor, to the Actual Knowledge of the Undersigned, any of its Involved Affiliates is currently in material default on any loans, lines of credit or other obligation related to the development of the Property or any other project which default is reasonably likely to materially and adversely affect the Developer’s ability to develop the Property as described in the Official Statement or to pay the Special Taxes due with respect to the Property (to the extent the responsibility of the Developer) prior to delinquency.

2. Except as set forth in this Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process to the Developer having been accomplished or which the Developer is aware of) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate with an ownership interest in, or development responsibility with respect to, the Property, including UCP, LLC, Casa Acquisition Corp., Benchmark Communities, LLC, Century Communities, Inc., BMC EG Bluffs, LLC, BMC EG Bungalow, LLC, BMC EG Courtyards, LLC, BMC EG Garden, LLC, BMC EG Grove, LLC, BMC EG Towns, LLC, and BMC EG Village, LLC and the affiliated property owners in the Community Facilities District (each an “Involved Affiliate”) (with proper service of process to such Affiliate having been accomplished), or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate (a) to restrain or enjoin the collection of Special Taxes or other sums pledged or to be pledged to pay the principal of and interest on the Bonds (e.g., the Reserve Fund established under the Indenture), (b) to restrain or enjoin the development of the Property as described in the Official Statement, (c) in any way contesting or affecting the validity of the Special Taxes, or (d) that if successful, is reasonably likely to materially and adversely affect the Developer’s ability to complete the development and sale of the Property as described in the Official Statement or to pay Special Taxes or ad

valorem tax obligations on the Property (to the extent the responsibility of the Developer) prior to delinquency.

3. Except as set forth in the Official Statement, to the Actual Knowledge of the Undersigned, during the last five years, neither the Developer nor any Involved Affiliate has, during the period of its ownership, been delinquent to any material extent in the payment of any ad valorem property tax, special assessment or special tax on property included within the boundaries of a community facilities district or an assessment district within California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a county tax collector sale or foreclosure action being commenced in a court of law against the delinquent Developer or its Involved Affiliate.

As used in the above representations of the Developer, the following defined terms and phrases have the following meanings:

“Affiliate” means, with respect to the Developer, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with the Developer, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of the District and investment decision regarding the Bonds (i.e., information relevant to (a) the Developer’s development plans with respect to the Property and ability to pay its Special Taxes on the Property prior to delinquency, or (b) such Person’s assets or funds that would materially affect the Developer’s ability to develop the Property as described in the Official Statement or to pay its Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

“Actual Knowledge of the Undersigned” means the knowledge that the individual signing the Letter of Representations on behalf of the Developer currently has as of the date of the Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of the Developer and its Affiliates as the undersigned has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Letter of Representations or (ii) review of documents that were reasonably available to the undersigned and which the undersigned has reasonably deemed necessary for the undersigned to obtain knowledge of the matters set forth in the Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer’s current business and operations. Individuals who are no longer employees of the Developer and its Affiliates have not been contacted.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term “control” (including the terms “controlling,” “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Property” means property within the District held in the name of the Developer or its Involved Affiliates.

SPECIAL RISK FACTORS

Investment in the Series 2019 Bonds involves risks that 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 in this Official Statement, in evaluating the investment quality of the Series 2019 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed in this Official Statement could adversely affect the ability or willingness of existing or future property owners within the District to pay the Special Taxes levied in the District when due. Such failure to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Series 2019 Bonds. In addition, the occurrence of one or more of the events discussed in this Official Statement could adversely affect the value of the property in the District.

Concentration of Ownership

For the Fiscal Year 2019-20, approximately 10.4% of the total Special Taxes levied constitute parcels owned by the Developer or BMC Affiliates. As of July 1, 2019, 670 of such parcels had completed homes and 74 had homes in various stages of construction. The remaining amount of Special Taxes were levied on homes owned by individual owners. Substantially all of the Undeveloped Property in the District is owned by the Developer or BMC Affiliates. Failure of the owners of property to pay the annual Special Taxes when due could result in a default in payments of the principal of and interest on the Series 2019 Bonds. Such risk may be greater or its consequence more severe when ownership is concentrated and may be expected to decrease when ownership is diversified.

Limited Obligations

The Series 2019 Bonds and related costs are not payable from the general funds of the Authority or the County. Except with respect to the Special Taxes, neither the credit nor the taxing power of the District or the Authority is pledged for the payment of the Series 2019 Bonds or the interest thereon, and, except as provided in the Indenture, no owner of the Series 2019 Bonds may compel the exercise of any taxing power by the District or force the forfeiture of any Authority or District property. The principal of, premium, if any, and interest on the Series 2019 Bonds are not a debt of the Authority or a legal or equitable pledge, charge, lien or encumbrance upon any of the Authority's or the District's property or upon any of the Authority's or the District's income, receipts or revenues, except the Special Taxes and other amounts pledged under the Indenture on a parity with the Series 2016 Bonds.

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on whether such parcel is categorized as Undeveloped Property or as Developed Property and the product type of the residence to which a parcel of property is assigned. See "APPENDIX C – AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and "SECURITY FOR THE SERIES 2019 BONDS – Special Taxes."

Pursuant to the Act, the Special Taxes levied in any Fiscal Year against any parcel of residential property in the District may not be increased as a consequence of delinquency or default by the owners of any other parcels within the District by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Series 2019 Bonds are derived, are customarily billed to the properties within the District on the ad valorem property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as ad valorem property tax installments. See “SECURITY FOR THE SERIES 2019 BONDS – Special Taxes,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See “– Bankruptcy and Foreclosure” below, for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

The value of the land within the District is an important factor in determining the investment quality of the Series 2019 Bonds. If a property owner is delinquent in the payment of the Special Taxes, the District’s only remedy is to commence foreclosure proceedings on behalf of the District in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes.

No Teeter Plan

The County has not adopted the alternative method of secured property tax apportionment known as the Teeter Plan, which provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end.

Failure to Develop Properties

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on such land due to the nonpayment of Special Taxes. The failure to complete development in the District as planned may reduce the value of the property within the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of such undeveloped property within the District to pay the Special Taxes when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Finally, development of land is subject to economic considerations.

There can be no assurance that land development operations within the District will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy, or the direct or indirect consequences of military and/or terrorist activities in this country or abroad. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to

pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Series 2019 Bonds when due.

The payment of the principal of and interest on the Series 2019 Bonds currently depends partially upon the receipt of Special Taxes levied on property on which home construction is in progress. Undeveloped property is less valuable per unit of area than developed land. The undeveloped property also provides less security to the Bondowners should it be necessary for the District to foreclose on undeveloped property due to the nonpayment of the Special Taxes.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Much of California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District.

The District is not within a State of California Earthquake Fault Zone and no active faults are mapped on the East Garrison Project site. The San Andreas and Calaveras faults, both considered major active faults, are approximately 17 and 23 miles, respectively, from the East Garrison Project. Approximately 1/4 mile northeast of the East Garrison Project is the northward extension of the Rinconada fault, classified as an earthquake source by the Uniform Building Code but not zoned active by the State of California. Though some sources indicate that the King City fault is on the East Garrison Project site, ENGE0 (an engineering firm) performed exploratory trenching in the area of the predicted fault and concluded that there was no active fault on the East Garrison Project.

The East Garrison Project is located within Seismic Zone 4. Seismic zones are regions in which earthquake ground motion, corresponding to a certain probability of occurrence, is within certain ranges. In recent editions of the Uniform Building Code, the U.S. has been divided into Seismic Zones 0 through 4, with 0 indicating the weakest earthquake ground motion and 4 indicating the strongest. In the Uniform Building Code, the Seismic Zone in which a structure is located determines permissible structural systems, including the level of detailing required for structural members and joints that are part of the lateral-force-resisting system and for the structural components that are not. The Seismic Zone also determines applicable limitations on the height of a structure, the permissible structural irregularities, the type of lateral analysis that must be performed as the basis of design for seismic forces, and the nonstructural component requirements for seismic forces.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Hazardous Substances and Environmental Concerns

The presence of a hazardous substance on a parcel may result in a reduction in its value. In general, the owners and operators of a parcel 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

taxed parcels 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.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which 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 which 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 value of a parcel that is realizable upon a delinquency.

The presence of hazardous materials within and near the East Garrison Project was investigated by Michael Brandman Associates (“Brandman”) and the United States Army (the “Army”). The Brandman findings are reported in the document titled “East Garrison Specific Plan, Draft Subsequent Environmental Impact Report,” dated September 2004. The Army findings are reported in the document titled “Finding of Suitability to Transfer (FOST), Track O Parcels, Former Fort Ord, California,” dated May 2003 (the “FOST”). Together, the Brandman Reports and the FOST are referred to as the “Hazardous Materials Reports.”

Former Use of Project Site. According to the Hazardous Materials Reports, the East Garrison Project site was a part of the former Fort Ord military base and was used for light-fighter training, “cold war activities,” and troop housing. In addition to administrative and training buildings and troop housing, the East Garrison Project site was used for motor pool maintenance, firing ranges, power plant, sewage treatment, fuel storage and other military uses. A gas station operated on the East Garrison Project site from an unknown date until 1961. Any of the former uses may have involved the use, storage and/or generation of hazardous materials. As of the issuance date of the Hazardous Materials Reports, improvements on the East Garrison Project site associated with the former Fort Ord consisted of, among others, 75 concrete and wood-framed buildings and structures constructed between 1939 and 1991, concrete foundations, sidewalks, tent pads, rock retaining walls, a family cemetery, two 200,000-gallon above ground water storage tanks, and water, wastewater and storm water infrastructure. Some of the 34 existing concrete buildings in the eastern part of the East Garrison Project site, the family cemetery, the chapel, some of the existing rock walls, and the sidewalks constructed by the Works Project Administration (WPA) are planned to be retained and/or renovated, where feasible. With the exception of the existing sanitary pump station at the main gate, all of the water, wastewater and storm water infrastructure have been or are planned to be demolished or removed. As of the issuance date of the Hazardous Materials Reports, none of the former military buildings on the East Garrison Project site was in use except the Battle Simulation Building which was used for training by the Monterey Peninsula College Law Enforcement Training Center.

Finding of Suitability to Transfer. According to the Hazardous Materials Reports, the Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) required that all remediation of hazardous materials be completed and shown to be effective prior to the Army transferring Fort Ord property for civilian uses. The agencies responsible for making this determination are the U.S. Environmental Protection Agency (“USEPA”), the California Environmental Protection Agency, Department of Toxic Substances Control (“DTSC”) and the California Regional Water Quality Control Board (“RWQCB”). The report prepared by the Army that documents the suitability for transfer of the East Garrison Project site (and other nearby parcels) is the FOST. The FOST describes the status of former and current environmental conditions on the East Garrison Project site based on environmental surveys prepared for numerous public agencies in a manner consistent with CERCLA and in accordance with the National Environmental Policy Act. Prior to its issuance, the Army provided the USEPA and DTSC an opportunity

to review and comment on the FOST. The FOST concludes that all requirements of the Department of Defense to reach a finding of suitability to transfer the East Garrison Project site have been met.

Hazardous Materials Found on Project Site. According to the Hazardous Materials Reports, hazardous materials were stored, used and/or generated at the East Garrison Project site when Fort Ord was operational including, but not limited to, liquid and solid sewage, metals (such as lead, arsenic, mercury, nickel and cadmium), aromatic hydrocarbons (such as toluene and xylene), acids, pesticides and insecticides, fertilizers, asbestos, waste and industrial solvents, formaldehyde, paints and thinners, PCBs, waste and motor oil, petroleum, and lubricants.

Removal of Contaminated Soil. According to the Hazardous Materials Reports, soil contaminated with PCBs and motor oil was found on and removed from the East Garrison Project site. DTSC closed the contamination case in January 2001.

Solid Waste Management Units. According to the Hazardous Materials Reports, two former solid waste management units (“SWMUs”) consisting of a PCB storage building, a sewage treatment plant and other facilities were located on the East Garrison Project site. Soil, soil gas and groundwater monitoring at the sites of the SWMUs indicated limited surficial soil contamination. Soil containing hydrocarbons, pesticides and metals were removed in 1997. The USEPA in March 1998, and the DTSC in October 2003 concluded that no further remedial action was necessary.

Above Ground and Underground Storage Tanks. According to the Hazardous Materials Reports, nine storage tanks were located on the East Garrison Project site. As of the date of the Hazardous Materials Reports, seven had been removed. Underground storage tanks associated with the gas station that formerly operated on the East Garrison Project site were removed in 1976 but piping associated with the tanks is reported to remain in place. In 1999, following the testing of soil samples, the Army concluded that remediation objectives had been met and that no further remedial action was necessary. DTSC and the USEPA reviewed and accepted the Army’s assessment in June 1999 and September 1999, respectively.

Polychlorinated Biphenyls (PCBs). According to the Hazardous Materials Reports, PCB-containing light ballasts may be present in former military buildings on the East Garrison Project site. PCB-containing light ballasts do not pose a threat to human health and the environment when properly managed.

Asbestos. According to the Hazardous Materials Reports, asbestos-containing materials (ACM) were identified within former military buildings on the East Garrison Project site. Some of the buildings contain friable ACM which may pose a health risk if not properly managed. The Army does not intend to remove or repair the ACM.

Lead-Based Paint. According to the Hazardous Materials Reports, due to their age or because their age is not known, most former military buildings on the East Garrison Project site are presumed to contain lead-based paint. The Army does not intend to remove or repair the lead-based paint or remove lead from the soil. As of the date of the Hazardous Materials Reports, no sampling for lead in the buildings had been performed. Testing of soil samples taken near some of the buildings suspected to have lead-based paint indicated lead concentrations ranging from 13.5 to 1,065 milligrams per kilogram. The Federal Preliminary Remediation Goal for lead is 1,200 milligrams per kilogram in bare soil in non-play residential areas. Preliminary Remediation Goals are risk-based chemical concentrations developed by the USEPA that are used to determine if further evaluation is warranted, to prioritize areas of concern, to establish initial cleanup goals and to estimate potential health risk.

East Garrison Ranges. According to the Hazardous Materials Reports, soil containing lead, arsenic and polynuclear aromatic hydrocarbons (PAHs) at levels exceeding their USEPA Preliminary

Remediation Goals were identified on a skeet range formerly located on the East Garrison Project site. PAHs, which are a component of the clay pigeons used on the skeet range (and are used for other commercial and industrial purposes), are considered to be highly carcinogenic. In 1998, the Army removed the soil where PAHs exceeded their Preliminary Remediation Goals. In February 2002, the USEPA concluded that no further action regarding the PAH contamination was necessary. The Army removed additional soil and debris in October 2002 where clay pigeon fragments remained.

Environmental Concerns Near the Project. According to the Hazardous Materials Reports, environmental investigations in the mid 1980s at the Fort Ord Fritzsche Army Airfield Fueling Facility and at the Fort Ord landfill (both described below) led to the listing of Fort Ord on the National Priorities List, a list of priority sites throughout the United States with known releases or threatened releases of hazardous substances, pollutants, or contaminants. In response and as required by CERCLA, the Army, USEPA, DTSC and RWQCB entered into a Federal Facilities Agreement. According to that agreement, there are areas within the boundaries of the former Fort Ord where hazardous substances have been deposited, stored, placed, or otherwise come to be located, and there have been releases of hazardous substances, pollutants or contaminants at or from Fort Ord into the environment. Among other purposes, the Federal Facilities Agreement is intended to ensure that environmental impacts associated with Fort Ord are identified, investigated and remediated. Investigations conducted after the date of the Federal Facilities Agreement identified sites of concern in addition to the airfield and the landfill including, but not limited to, motor pools, vehicle maintenance areas, dry cleaners, sewage treatment plants, firing ranges, hazardous materials storage areas, and unregulated disposal areas.

A brief summary of some of the environmental concerns near the East Garrison Project is provided below. Other information about these environmental concerns, and about contamination and remedial activities in other areas of the former Fort Ord which are not summarized below, is currently available on a website maintained by the Army titled "Former Fort Ord Environmental Cleanup," <http://www.fortordcleanup.com>.

The foregoing internet address is included for reference only, and the information on such Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such Internet site.

Fritzsche Army Airfield. According to the Hazardous Materials Reports, a training area for the Fort Ord Fire Department was established on Fritzsche Army Airfield (now Marina Municipal Airport and located approximately 1.25 miles west of the District) in 1962. As part of the training activities, fuel was discharged from an onsite storage tank into a pit, ignited, and then extinguished. Training activities were discontinued in 1985 and the associated structures were removed. Environmental investigations conducted in the mid 1980s found contaminated soil and groundwater and determined that remediation was required. The Army removed contaminated soil and backfilled the affected area with clean fill. The Army also constructed a water treatment facility in 1988 to remediate trichloroethylene (TCE), an industrial solvent, and other related contaminants found in groundwater. Groundwater cleanup is expected to take as long as 30 years to complete. Since 1988, water samples have been taken every three months. The sampling information has been compiled into quarterly, annual and five-year reports available to the public on the Former Fort Ord Environmental Cleanup website.

Landfill. According to the Hazardous Materials Reports, the Fort Ord Landfill comprises about 150 acres on the north and south sides of Imjin Road, east of Abrams Drive, about 3/4 miles from the East Garrison Project at its closest point. In addition to addressing soil contamination by excavation, consolidation and capping of different areas of the landfill, the Army constructed a water treatment facility in 1995 to remediate groundwater contaminated with TCE and other related contaminants from the landfill.

The plume of contaminated groundwater is within approximately 1,000 feet of the East Garrison Project but is not expected to pose a threat to occupants because groundwater will not be used as a drinking water source. Except for the purpose of groundwater monitoring, well drilling in the East Garrison Project or on any of lands transferred under the FOST is prohibited. Groundwater cleanup is expected to take as long as 30 years to complete. Since 1988, water samples have been taken every three months. The sampling information has been compiled into quarterly, annual and five-year reports available to the public on the Former Fort Ord Environmental Cleanup website.

Carbon Tetrachloride Plume. According to the Hazardous Materials Reports, a carbon tetrachloride plume is reportedly near Reservation Road, east of Imjin Road, about 1.5 miles from the East Garrison Project. The plume is believed to have resulted from discharges into the ground associated with electronics maintenance activities conducted in the 1950s. Carbon tetrachloride is an organic liquid that was widely used as a cleaning agent and in fire extinguishers and refrigerants. The plume has migrated downgradient and affects three aquifer units. The Army is employing three different methodologies to mitigate the contamination in the three aquifers: bioremediation, a groundwater extraction system, and monitored natural attenuation. The plume of contaminated groundwater is within approximately 1,000 feet of the East Garrison Project but is not expected to pose a threat to occupants because groundwater will not be used as a drinking water source. Except for the purpose of groundwater monitoring, well drilling in the East Garrison Project or on any of lands transferred under the FOST is prohibited. The Army is expected to fully implement the bioremediation plan in 2011 and to continue cleanup of the affected aquifer for at least 15 years. The Army expects to continue groundwater extraction and monitored natural attenuation for at least 30 years or longer.

Environmental Deed Restriction. As provided in the FOST, a deed restriction describing certain conditions, restrictions and notifications related to the presence of environmental conditions within and near the East Garrison Project will be recorded against every lot/home in the East Garrison Project. The purpose of the deed restriction is to ensure protection of human health and the environment and to preclude any interference with ongoing or completed remediation activities at the former Fort Ord. There may be other instruments recorded against the East Garrison Project which create deed restrictions or describe environmental conditions affecting the East Garrison Project and/or the former Fort Ord including, but not limited to, a Quitclaim Deed (causing the transfer of the East Garrison Project and other lands from the U.S. Army to FORA) executed by the United States of America on January 21, 2004, in favor of the Fort Ord Reuse Authority, re-Recorded on June 25, 2004, as Document No. 2004-066480, in the Office of the Monterey County Recorder. The following is a summary of some of the notifications that may be included in the deed restriction and/or on other instruments.

(1) The former Fort Ord has been identified as a National Priority List Site under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended. No one who acquires property within the former Fort Ord can hold the United States liable if the implementation of certain environmental remediation actions interferes with the use of that property.

(2) The federal government, USEPA and DTSC have the right, upon reasonable notice, to enter onto any transferred property within the former Fort Ord (including the East Garrison Project) to investigate, inspect, conduct tests or take any action necessary to implement certain environmental remediation.

(3) Groundwater beneath the East Garrison Project or beneath lands near the East Garrison Project is contaminated with trichloroethene (TCE) and/or other volatile organic compounds.

(4) While it is not likely that ordnance and explosives (OE) are located on the East Garrison Project, there is a potential for OE to be present because OE were used throughout the history of Fort Ord.

(5) Friable and non-friable asbestos or asbestos-containing materials have been found on the East Garrison Project site.

(6) All buildings on the East Garrison Project site associated with the former Fort Ord were constructed or rehabilitated prior to 1978 and are presumed to contain lead-based paint. Lead from paint, paint chips and dust can pose health hazards if not managed properly. Exposure to lead from lead-based paint may place young children at risk of developing lead poisoning which may produce permanent neurological damage including learning disabilities, reduced intelligence quotient, behavioral problems and impaired memory. Lead poisoning also poses a particular risk to pregnant women.

(7) Fluorescent light ballasts in buildings associated with the former Fort Ord contain polychlorinated biphenyls (PCBs). PCBs have been widely used as coolants and lubricants in electrical equipment such as fluorescent light ballasts. The U.S. Environmental Protection Agency considers PCBs to be probably cancer causing chemicals in humans. The PCB containing equipment does not currently pose a threat to human health or the environment.

(8) Some of the parcels transferred under the FOST are located within 1,000 feet of the Fort Ord landfill. Monitoring probes indicated that methane concentrations exceed the California Integrated Waste Management standard within the fenced area of the landfill fence but not at the property boundary.

Parity Taxes and Special Assessments

Property within the District is subject to the lien of taxes and assessments imposed by public agencies and several overlapping districts also having jurisdiction over the land within the District. See “THE DISTRICT – Estimated Direct and Overlapping Indebtedness.” The total tax burden on residential units within the land within the District of the sale prices of those units, taking into account the new special taxes shall not exceed 2% of the sales price of a residential unit at the time immediately preceding the Certificate of Occupancy.

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by the District and other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “– Bankruptcy and Foreclosure” below.

Neither the Authority nor the District has control over the ability of other entities and districts to issue indebtedness secured by taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by taxes or assessments. Any such taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within the District described in this Official Statement.

Prepayment of Special Taxes

Under the Rate and Method, the owner of a parcel of Developed Property and the owner of a parcel of Undeveloped Property for which a building permit has been issued may prepay the Special Tax obligation for a parcel in whole or in part. Any required or voluntary prepayment of Special Taxes will result in a special mandatory redemption of Bonds. See “THE SERIES 2019 BONDS –Redemption – Special Mandatory Redemption from Special Tax Prepayments.”

Developer is developing 84 Below Market Rate Townhomes (the “Townhomes (BMR)”) within the District. Pursuant to the DDA, the Developer is obligated to sell the Townhomes (BMR) at a specified price based upon a formula based on the moderate income levels in Monterey County. To satisfy this requirement without adversely affecting the purchase price of the units, the Developer decided in 2017 to prepay Special Taxes upon closing the sale of a Townhome (BMR). Currently, the Developer expects to sell one Townhome (BMR) per month until all are sold. No assurances can be made that the prepayment program for the Townhomes (BMR) will continue, or that the number of sales per month will occur as currently anticipated. See “THE SERIES 2019 BONDS –Redemption – Special Mandatory Redemption from Special Tax Prepayments” and “SECURITY FOR THE SERIES 2019 BONDS – Special Taxes – Prepayment of Special Taxes.”

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy at the maximum rate. The District has caused a notice of the Special Tax Lien to be recorded in the Office of the Recorder for the County of Monterey on December 4, 2013 against each parcel within 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 such Special Tax obligation in the purchase of a property within the District or lending or money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Non-Cash Payments of Special Taxes

Under the Act, the Governing Board as the legislative body of the District may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Taxes by tendering a Bond. Such a practice would decrease the cash flow available to the District to make payments with respect to other Bonds then outstanding; and, unless the practice was limited by the District, the Special Taxes paid in cash could be insufficient to pay the debt service due with respect to such other Bonds. In order to provide some protection against the potential adverse impact on cash flows which might be caused by the tender of Bonds in payment of Special Taxes, the Indenture includes a covenant pursuant to which the District will not authorize owners of taxable parcels to satisfy Special Tax obligations by the tender of Bonds unless the District shall have first obtained a report of a Special Tax Consultant certifying that doing so would not result in the District having insufficient Special Tax Revenues to pay the principal of and interest on all Outstanding Bonds and any Parity Bonds when due.

Payment of the Special Tax is Not a Personal Obligation of the Owners

A property owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Series 2019 Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, changes in laws regarding real estate taxes and deductions, the direct or indirect consequences of military and/or terrorist actions in this country or abroad, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE DISTRICT – Estimated Appraised and Assessed Value-to-Lien Ratios."

FDIC/Federal Government Interests in Properties

The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") has an interest. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the Series 2019 Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditor's rights could adversely impact the interests of owners of the Series 2019 Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the funds and accounts created under the Indenture from being applied to pay interest on the Series 2019 Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a merchant builder or other landowner and if the court found that a merchant builder or other landowner has an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Passage of Measure Z

On November 8, 2016, the voters within the County passed Measure Z, which prohibits (1) the use of land within the County's unincorporated areas for hydraulic fracturing treatment ("fracking"), acid well stimulation treatments, and other well stimulation treatments, (2) new and phase out existing land uses that utilize oil and gas wastewater injection and impoundment and (3) the drilling of new oil and gas wells in the County's unincorporated areas. The potential negative economic impact to the County is unknown at this time but could be significant. It is also unknown what consequence, if any, any such negative economic impact will have on the District's ability to pay debt service on the Series 2019 Bonds.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," the interest on the Series 2019 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019 Bonds as a result of a failure of the District to comply with certain provisions of the Internal

Revenue Code of 1986, as amended. Should such an event of taxability occur, the Series 2019 Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption provisions of the Indenture.

Limitations on Remedies

Remedies available to the owners of the Series 2019 Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Series 2019 Bonds or to preserve the tax-exempt status of interest on the Series 2019 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Series 2019 Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, moratorium, or other similar laws affecting generally the enforcement of creditors' rights and by the exercise of judicial discretion in accordance with general principles of equity. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Series 2019 Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2019 Bonds or, if a secondary market exists, that the Series 2019 Bonds can be sold for any particular price. The Underwriter will not be obligated to repurchase any of the Series 2019 Bonds. Although the District has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bondowners on a timely basis. See "LEGAL MATTERS – Continuing Disclosure." The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of 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.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Certain provisions of the Initiative have been interpreted by the courts, although it is expected that various aspects of the Initiative will be the subject of litigation for a number of years. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Series 2019 Bonds as described below.

Among other things, Section 3 of Article XIII states that "...the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On

July 1, 1997, a bill was signed into law by the governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Series 2019 Bonds. The provisions of the initiative relating to the exercise of the initiative power have not been interpreted by the courts and no assurance can be given as to the outcome of any such litigation.

It may be possible, however, for voters or the Governing Board acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Series 2019 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Series 2019 Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, the District covenanted to not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. Also, if an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the District covenants, to the extent permitted by law, to 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.

The interpretation and application of the initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS – Limitations on Remedies.”

Ballot Initiatives

Article XIII A, Article XIII B and Proposition 218 were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the District or local districts to increase revenues or to increase appropriations or on the ability of the landowners within the District to complete the remaining proposed development. See “SPECIAL RISK FACTORS – Failure to Develop Properties.”

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the unpaid principal of the Series 2019 Bonds in the event of a payment default or other default under the terms of the Series 2019 Bonds or the Indenture.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX B hereto.

To the extent the issue price of any maturity of the Series 2019 Bonds is less than the amount to be paid at maturity of such Series 2019 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2019 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2019 Bonds is the first price at which a substantial amount of such maturity of the Series 2019 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2019 Bonds accrues daily over the term to maturity of such Series 2019 Bonds on the basis of a constant interest rate compounded semi-annually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2019 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2019 Bonds. Beneficial Owners of the Series 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2019 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2019 Bonds is sold to the public.

Series 2019 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Series 2019 Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series 2019 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Series 2019 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Series 2019 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2019 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2019 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019 Bonds.

Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2019 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2019 Bonds ends with the issuance of the Series 2019 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2019 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor") has acted as Municipal Advisor to the District in conjunction with the issuance of the Series 2019 Bonds. The Municipal Advisor has assisted the District in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the Series 2019 Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2019 Bonds.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the District with respect

to the accuracy or completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

LEGAL MATTERS

Continuing Disclosure

The District will execute a continuing disclosure agreement (the “District Continuing Disclosure Agreement”) for the benefit of the Owners and Beneficial Owners of the Series 2019 Bonds to provide certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The District will file, or cause the dissemination agent to file, the Annual Report and notices of Listed Events with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (“EMMA”). The specific nature of the information to be included in the Annual Reports and the notices of Listed Events is set forth in “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT.” The District is entering into the District Continuing Disclosure Agreement in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

A default by the District under the District Continuing Disclosure Agreement will not, in itself, constitute a default under the Indenture, and the sole remedy under the District Continuing Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply will be an action to compel specific performance.

The District (not the Authority or its members) is obligated to comply with the District Continuing Disclosure Agreement. However, the Board of Supervisors of the County, as Governing Board of the Authority, is the legislative body of the District and the District has no employees or staff independent of the County.

In the past five years, the County has had certain continuing disclosure obligations under the Rule in connection with the issuance of certain debt in 2007, 2009, 2010, and 2015 for which the County is the obligated person. Under such prior obligations, the County was obligated to file or cause to be filed with the EMMA an Annual Report by not later than nine months following the close of the County’s previous fiscal year and notices of the occurrence of certain enumerated events.

For the Annual Report due with respect to fiscal year ended June 30, 2015, the County filed an Annual Report on January 21, 2016.

For the Annual Report due with respect to fiscal year ended June 30, 2014, the County filed an Annual Report on January 14, 2015. The proposed General Fund Budget was not included with the Annual Report and was filed on August 11, 2015.

For the Annual Report due with respect to fiscal year ended June 30, 2013, the County filed an Annual Report on January 14, 2014. The proposed General Fund Budget was not included with the Annual Report and was filed on January 14, 2015.

The County caused a Notice of the Appointment of Successor Trustee on August 12, 2015, which appointment was effective July 15, 2015.

Absence of Litigation

At the time of delivery of and payment for the Series 2019 Bonds the District 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, the County or the District affecting the existence of 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 Series 2019 Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or application of the Special Taxes to pay the principal of and interest on the Series 2019 Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2019 Bonds, the Resolution of Issuance, the Indenture, or any other applicable agreements or any action of the Authority or the District or contemplated by any of said documents. [CONFIRM]

Legal Matters Incident to the Issuance of the Series 2019 Bonds

Certain legal matters incident to the authorization and issuance of the Series 2019 Bonds are subject to the approving opinion of Orrick Herrington & Sutcliffe LLP, acting in its capacity as Bond Counsel. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters related to the Series 2019 Bonds and the District will be passed upon for the District by County Counsel, certain legal matters related to disclosure will be passed upon for the District by Nixon Peabody LLP, as Disclosure Counsel. Jones Hall, A Professional Law Corporation, is acting as counsel for the Underwriter. Payment of Bond Counsel's, Disclosure Counsel's and Underwriter Counsel's fees and expenses is contingent upon the sale and issuance of the Series 2019 Bonds. The various legal opinions to be delivered concurrently with the delivery of the Series 2019 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.

No Rating

The Series 2019 Bonds are not rated. No application has been made by the District to any rating agency for the assignment of a municipal bond credit rating on the Series 2019 Bonds.

Underwriting

The Series 2019 Bonds are being purchased by the Underwriter for a price of \$_____ being equal to the initial principal amount of the Series 2019 Bonds of \$_____, less an Underwriter's discount of \$_____ and [plus][less] [net] original issue [premium][discount] of \$_____. The Underwriter has committed to purchase all of the Series 2019 Bonds if any of such Series 2019 Bonds are purchased. The Series 2019 Bonds are being offered for sale to the public at the price set forth on the cover page of this Official Statement, which price may be changed by the Underwriter from time to time without notice. The Series 2019 Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring Series 2019 Bonds for their own account or an account managed by them, at prices lower than the public offering price.

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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 Series 2019 Bonds.

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

COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON PROJECT), EAST GARRISON
PUBLIC FINANCING AUTHORITY, COUNTY OF
MONTEREY, STATE OF CALIFORNIA

By: _____
Chair of the East Garrison
Public Financing Authority

APPENDIX A
SUMMARY OF INDENTURE

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX C

**AMENDED AND RESTATED RATE AND METHOD
OF APPORTIONMENT OF SPECIAL TAX**

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX E

THE BOOK ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of, premium, if any, and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the District believes to be reliable, but the District does not take responsibility for the completeness or accuracy thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in 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 Official Statement. 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.

The Depository Trust Company (“DTC”), New York, NY, 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. One fully-registered bond will be issued for each maturity (and each individual yield in the case of bifurcated maturities) of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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; provided that nothing contained in such website is incorporated into this Official Statement.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds 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.

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

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

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

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District. The District, in its sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Bonds. The District undertakes no obligation to investigate matters that would enable the District to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

THE DISTRICT AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE DISTRICT AND THE UNDERWRITER ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR AN ERROR OR DELAY RELATING THERETO.

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

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

THE DISTRICT MAY DECIDE TO DISCONTINUE USE OF THE SYSTEM OF BOOK-ENTRY TRANSFERS THROUGH DTC (OR A SUCCESSOR SECURITIES DEPOSITORY). IN THAT EVENT, BONDS WILL BE PRINTED AND DELIVERED AS DESCRIBED IN THE INDENTURE AND PAYMENT OF INTEREST TO EACH OWNER WHO OWNS OF RECORD \$1,000,000 OR MORE IN AGGREGATE PRINCIPAL AMOUNT OF BONDS MAY BE MADE TO SUCH OWNER BY WIRE TRANSFER TO SUCH WIRE ADDRESS WITHIN THE UNITED STATES THAT SUCH OWNER MAY REQUEST IN WRITING FOR ALL INTEREST PAYMENT DATES FOLLOWING THE 15TH DAY AFTER THE TRUSTEE'S RECEIPT OF SUCH REQUEST.

APPENDIX F

MARKET ABSORPTION STUDY

APPENDIX G
APPRAISAL REPORT