

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY \_\_, 2019**

NEW ISSUE-BOOK-ENTRY ONLY

RATING: “\_\_”  
(See “RATING”)

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described more fully herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS.”*

\$ \_\_\_\_\_ \*

**NEVADA COUNTY FINANCE AUTHORITY  
COUNTY OPERATIONS CENTER LEASE REVENUE BONDS, SERIES 2019**

Dated: Date of Delivery

Due: October 1, as shown on inside cover

The above-captioned bonds (the “Bonds”) will be issued by the Nevada County Finance Authority (the “Authority”) pursuant to an Indenture, dated as of February 1, 2019 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), to (i) finance the costs of construction of an Operations Center by the County of Nevada (the “County”), (ii) make a deposit to the Reserve Fund (defined herein), and (iii) pay costs related to the issuance of the Bonds. See “PLAN OF FINANCE.”

Interest on the Bonds will be payable by the Trustee on April 1 and October 1 of each year, commencing April 1, 2019. The Bonds will be delivered in fully registered book-entry form only and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), which will act as securities depository for the Bonds. Upon receipt of payments of the principal or premium, if any, and interest on the Bonds, DTC will remit such principal, premium, if any, and interest to its participants (as described herein) for subsequent disbursement to the beneficial owners of the Bonds. Purchasers of the Bonds will not receive physical bonds representing their interests in the Bonds purchased. See APPENDIX C—“BOOK-ENTRY ONLY SYSTEM.” The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

**The Bonds are subject to optional redemption, extraordinary redemption and mandatory sinking fund redemption prior to maturity as described herein. See “THE BONDS—Redemption.”**

The Bonds are limited obligations of the Authority payable solely from base rental payments (the “Base Rental Payments”) to be made by the County pursuant to a Lease, dated as of February 1, 2019, between the Authority and the County (the “Lease”), and other amounts held by the Trustee in the funds and accounts established under the Indenture (other than the Rebate Fund). The Base Rental Payments are expected to be paid by the County in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Bonds when due and payable. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “CERTAIN RISK FACTORS.”

THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS ONLY FROM THE FUNDS PLEDGED UNDER THE INDENTURE, AND THE AUTHORITY SHALL NOT INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND DO NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

---

\* Preliminary; subject to change.

**This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making an investment decision. Attention is directed to the section of this Official Statement entitled “CERTAIN RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.**

---

**MATURITY SCHEDULE**  
(See Inside Cover Page)

---

The Bonds will be offered when, as and if delivered and received by the underwriter listed below (the “Underwriter”), subject to approval of validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the County and the Authority by the Office of County Counsel, and for the Underwriter by its counsel, Schiff Hardin LLP. It is expected that the Bonds will be available for delivery in book-entry only form through the facilities of DTC in New York, New York, on or about February \_\_, 2019.

**RAYMOND JAMES**

Dated: \_\_\_\_\_, 2019

\$ \_\_\_\_\_\*

**NEVADA COUNTY FINANCE AUTHORITY**  
**COUNTY OPERATIONS CENTER LEASE REVENUE BONDS, SERIES 2019**

**MATURITY SCHEDULE**

<i><b>Maturity Date</b></i> <i><b>(October 1)</b></i>	<i><b>Principal</b></i> <i><b>Amount</b></i>	<i><b>Interest</b></i> <i><b>Rate</b></i>	<i><b>Yield</b></i>	<i><b>CUSIP No.</b></i> †
--	---	--	---------------------	---------------------------

---

\* Preliminary; subject to change.

<sup>C</sup> Yield to the optional redemption date of April 1, 20\_\_, at par.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association (<http://www.aba.com/>). CUSIP Global Services (CGS) is managed on behalf of the 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 as a substitute for the CUSIP Service Bureau. CUSIP data herein are provided for convenience of reference only. Neither the County nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

**NEVADA COUNTY FINANCE AUTHORITY**

**BOARD OF DIRECTORS**

[[Richard Anderson, Chair  
Heidi Hall, Vice Chair  
Marcia Salter, Director  
Jon Byerrum, Public Member  
James Meshwert, Public Member]]

**COUNTY OF NEVADA, CALIFORNIA**

**BOARD OF SUPERVISORS**

Ed Scofield (Second District), Chair  
Richard Anderson (Fifth District), Vice-Chair  
Heidi Hall (First District)  
Susan Hoek (Fourth District)  
Dan Miller (Third District)

**COUNTY OFFICIALS**

Alison Lehman, County Executive Officer/Authority Director  
Tina Vernon, County Treasurer-Tax Collector  
Marcia Salter, Auditor-Controller  
Martin Polt, Chief Financial Officer  
Alison Barratt-Green, County Counsel/Authority Counsel

**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Stradling Yocca Carlson & Rauth, a Professional Corporation  
Newport Beach, California

**Municipal Advisor**

KNN Public Finance, LLC  
Oakland, California

**Trustee**

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

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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the County or the Underwriter.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

Certain information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein 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 or the County since the date hereof. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with the offering of the Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 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 Bonds to certain securities dealers, institutional investors and others at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: "The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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."

Certain statements in this Official Statement, which may be identified by the use of such terms as "plan," "project," "expect," "estimate," "budget" or other similar words, constitute forward-looking statements. Such forward-looking statements refer to the achievement of certain results or other expectation or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The Authority does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The 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 and have not been registered or qualified under the securities laws of any state.

The County maintains a website. References to web site addresses, including the County's aforementioned website, presented herein are for informational purposes only. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12 and should not be relied upon in making an investment decision with respect to the Bonds.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
Purpose .....	1
Security and Sources of Payment for the Bonds .....	1
THE AUTHORITY .....	2
THE COUNTY .....	2
THE BONDS .....	3
General Terms; Payment .....	3
Redemption .....	3
PLAN OF FINANCE .....	5
THE LEASED FACILITIES .....	5
ESTIMATED SOURCES AND USES OF FUNDS .....	6
BOND DEBT SERVICE SCHEDULE .....	7
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS .....	8
Base Rental Payments .....	8
Additional Bonds .....	9
Reserve Fund .....	9
Action on Default .....	9
Insurance .....	10
Substitution, Addition or Release of Leased Facilities .....	10
CERTAIN RISK FACTORS .....	11
Limited Obligation .....	11
Limitation on Sources of Revenues .....	11
No Limitation on County Incurring Additional Obligations; Issuance of Additional Bonds .....	12
State Funding of Counties .....	12
Abatement .....	12
Natural Disasters .....	13
Limitations on Remedies .....	13
No Acceleration Upon Default .....	14
Bankruptcy .....	14
Changes in Law .....	15
Potential Impact of State of California Financial Condition and Budgets on the County .....	15
Climate Change .....	16
Cybersecurity .....	16
Loss of Tax Exemption .....	16
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS .....	16
Article XIII A of the State Constitution .....	16
Article XIII B of the State Constitution .....	17
Articles XIII C and XIII D of the State Constitution .....	18
Statutory Limitations .....	19
Proposition 22 .....	20
Future Initiatives .....	20
LITIGATION .....	20
TAX MATTERS .....	21
CERTAIN LEGAL MATTERS .....	22
RATING .....	23
UNDERWRITING .....	23
MUNICIPAL ADVISOR .....	23
CONTINUING DISCLOSURE .....	23
INDEPENDENT AUDITORS .....	24

MISCELLANEOUS .....	24
APPENDIX A CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY .....	A-1
APPENDIX B AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR ENDED JUNE 30, 2018.....	B-1
APPENDIX C BOOK-ENTRY ONLY SYSTEM .....	C-1
APPENDIX D SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS .....	D-1
APPENDIX E PROPOSED FORM OF BOND COUNSEL OPINION .....	E-1
APPENDIX F FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	F-1

\$ \_\_\_\_\_ \*

**NEVADA COUNTY FINANCE AUTHORITY**  
**COUNTY OPERATIONS CENTER LEASE REVENUE BONDS, SERIES 2019**

**INTRODUCTION**

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Unless otherwise defined herein, all capitalized terms used herein shall have the definitions set forth in the Indenture or the Lease referred to below. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

**Purpose**

The purpose of this Official Statement, which includes the cover page and Appendices hereto (this “Official Statement”), is to furnish information in connection with the issuance and sale by the Nevada County Finance Authority (the “Authority”) of \$ \_\_\_\_\_ \* Nevada County Finance Authority County Operations Center Lease Revenue Bonds, Series 2019 (the “Bonds”). The Authority is a joint exercise of powers agency organized and existing under the laws of the State of California (the “State”). See “THE AUTHORITY.”

The Bonds will be issued pursuant to an Indenture, dated as of February 1, 2019 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The proceeds of the Bonds will be used by the Authority to (i) finance the costs of construction of an Operations Center by the County of Nevada (the “County”), (ii) make a deposit to the Reserve Fund (defined herein), and (iii) pay costs related to the issuance of the Bonds. See “PLAN OF FINANCE.”

**Security and Sources of Payment for the Bonds**

In connection with the issuance of the Bonds, the County and the Authority will (a) enter into a Site Lease, dated as of February 1, 2019 (the “Site Lease”), pursuant to which the County will lease to the Authority the Rood Administration Center, located in the County capital, Nevada City (such real property and improvements and equipment as further described herein, the “Leased Facilities”), and (b) enter into a Lease, dated as of February 1, 2019 (the “Lease”), pursuant to which the Authority will lease the Leased Facilities back to the County. See “PLAN OF FINANCE.” The County is obligated under the Lease to pay Base Rental Payments to the Authority for the use and occupancy of the Leased Facilities. The Base Rental Payments are the primary source of funds available to repay the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Base Rental Payments.”

The Bonds are special obligations of the Authority payable from and secured by the Base Rental Payments to be made by the County under the Lease and the amounts held in all funds and accounts (other than the Rebate Fund) under the Indenture. The Base Rental Payments are expected to be paid in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Bonds when due and payable. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Base Rental Payments.” The County will covenant under the Lease that so long as the Leased Facilities are available for its use and occupancy, it will take such action as may be necessary to include the Base Rental Payments in its annual budget and to make the necessary annual appropriations therefor. The obligation of the County to make Base Rental Payments may be abated in whole or in part if the County does not have the full use and right to occupancy of the Leased Facilities or any portion thereof. See “CERTAIN RISK FACTORS—Abatement.”

---

\* Preliminary; subject to change.



The Indenture provides for the establishment of a Reserve Fund in an amount equal to the Reserve Fund Requirement, which, as of the date of issuance of the Bonds, is \$\_\_\_\_\_. Amounts in the Reserve Fund are to be used and withdrawn by the Trustee solely for the purpose of funding the Interest Account or the Principal Account, in that order, in the event of any deficiency in either of such accounts on an Interest Payment Date. Pursuant to the Indenture, the County may utilize a Reserve Facility to satisfy the Reserve Fund Requirement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund.”

Pursuant to the Indenture, the Authority will assign to the Trustee for the benefit of the owners of the Bonds the Authority’s rights (except the Authority’s right to indemnification) and remedies under the Site Lease and the Lease, including its right to receive Base Rental Payments and its right to enforce amounts payable upon default. See “CERTAIN RISK FACTORS—Limitations on Remedies” and APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Remedies Upon Default.”

THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS ONLY FROM THE FUNDS PLEDGED UNDER THE INDENTURE, AND THE AUTHORITY SHALL NOT INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND DO NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

#### **THE AUTHORITY**

The Authority was formed pursuant to the provisions of Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and operates in accordance with the terms of a Joint Exercise of Powers Agreement, dated January 19, 1993, by and between the County and the Nevada County Housing Authority. The Authority was formed to assist the County in financing public capital improvements and other projects. The Authority functions as an independent entity and its policies are determined by a five-member board of directors consisting of: one director from the Board of Supervisors of the County; one director from the Board of Directors of the Nevada County Housing Authority; one director appointed by the County Administrator; and two members appointed by the County Board of Supervisors. The Authority has no employees and all staff work is done by County staff or by consultants to the Authority. The County and the Nevada County Housing Authority are not responsible in any manner for the debts and obligations of the Authority.

#### **THE COUNTY**

Nevada County is located in Northern California between Sacramento and Reno, Nevada. The total area of the County is approximately 978 square miles. The January 1, 2018 population of the County was estimated by the State Department of Finance to be 99,155. The County’s adopted General Fund Budget for Fiscal Year 2018-19 anticipates revenues (including available fund balance) of approximately \$77.5 million. Information with respect to the County, including financial information and certain economic and demographic information is provided in APPENDIX A—“CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY.” A copy of the financial statements of the County for the fiscal year ended June 30, 2018 is attached hereto as Appendix B which should be read in its entirety. See APPENDIX B—“AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR ENDED JUNE 30, 2018.”

## THE BONDS

### General Terms; Payment

The Bonds will be dated their date of delivery and will mature on the dates and in the principal amounts and bear interest per annum at the rates set forth on the page following the front page of this Official Statement. The Bonds will be issued as fully registered Bonds without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on the Bonds will be payable on April 1 and October 1 of each year (each an “Interest Payment Date”), commencing April 1, 2019, and will be calculated based on a 360-day year of twelve 30-day months.

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds shall initially be issued exclusively in book-entry form and will be registered in the name of Cede & Co., as DTC’s nominee. So long as Cede & Co. is the registered owner of the Bonds (except as otherwise specified herein) references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the purchasers of beneficial ownership interests in the Bonds (the “Beneficial Owners”). All notices to Owners under the Indenture will be sent only to DTC. See APPENDIX C—“BOOK-ENTRY ONLY SYSTEM.”

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds is payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Neither the County nor the Authority takes any responsibility for the disbursement by DTC and the DTC Participants of payments made by the Trustee to Cede & Co or any notice given by the Trustee to DTC. See APPENDIX C—“BOOK-ENTRY ONLY SYSTEM.”

If the Bonds are no longer held in book-entry form, then interest and principal due on any Bond will be payable in accordance with the provisions of the Indenture.

### Redemption

**Optional Redemption.** The Bonds maturing on or before October 1, 20\_\_ are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after October 1, 20\_\_, shall be subject to optional redemption, in whole or in part from such maturities as are selected by the Authority in integral multiples of \$5,000 (notice of which determination shall be given by the Authority to the Trustee), on any date on or after October 1, 20\_\_, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Bonds maturing on October 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity, in part, on October 1, 20\_\_, and on each September 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

**Term Bonds Due on October 1, 20\_\_**

<i>Redemption Date</i> <b>(October 1)</b>	<i>Redemption Amount</i>
--	--------------------------

\$

(Maturity)

The Bonds maturing on October 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity, in part, on October 1, 20\_\_, and on each October 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

**Term Bonds Due on October 1, 20\_\_**

<i>Redemption Date</i> <b>(October 1)</b>	<i>Redemption Amount</i>
--	--------------------------

\$

(Maturity)

In the event that Bonds maturing on October 1, 20\_\_ and October 1, 20\_\_ are redeemed pursuant to the optional or extraordinary redemption provisions described above, the sinking fund payments above will be reduced as nearly as practicable on a proportionate basis in integral multiples of \$5,000.

**Extraordinary Redemption.** The Bonds and Additional Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part as nearly as practicable on a pro-rata basis among maturities in integral multiples of \$5,000 as determined by the Trustee, from title and property insurance proceeds and eminent domain proceeds, to the extent provided in the Lease, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

**Notice of Redemption.** The Trustee on behalf and at the expense of the Authority shall mail, by first class mail, postage prepaid, notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 30 but not more than 45 days prior to the date fixed for redemption; provided that so long as the Bonds are registered in the name of DTC, or its nominee, notice shall be sent in accordance with the procedures of DTC. Neither failure to receive any such notice so given nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. 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, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust 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 redemption date. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

Unless funds for the optional redemption of any Bonds are irrevocably deposited with the Trustee prior to rendering notice of redemption to the Owners, such notice shall state that such redemption is conditional and subject to the deposit of funds with the Authority. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, then such redemption shall not occur and the Trustee shall give notice rescinding the notice of redemption in the same manner as the original notice of redemption was sent. Such rescission and cancellation shall not constitute an Event of Default under the Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption.

***Selection of Bonds for Redemption.*** Whenever less than all of the Outstanding Bonds of a maturity are to be redeemed, the Trustee shall select Bonds to be redeemed from such maturity by lot. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bonds, which may be separately redeemed.

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the principal of and interest on the Bonds called for redemption shall have been duly provided, the Bonds called for redemption shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All Bonds redeemed pursuant to the Indenture shall be cancelled by the Trustee and shall be delivered to or upon the order of the Authority. All moneys held by or on behalf of the Trustee for the payment of the principal of or interest or premium, if any, on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

## **PLAN OF FINANCE**

The Bonds are being issued to finance the construction of the County's County Operations Center (the "Project"), to be located on an approximately 39 acre property located at 12350 La Barr Meadows Road in Grass Valley, California. The Operations Center will be an approximately 33,000 square foot one story metal building including material storage areas and parking facilities, which will house the County's Roads Maintenance, Heavy Equipment Repair, Fleet Services, and Transit Services operations.

## **THE LEASED FACILITIES**

The Leased Facilities initially will consist of the County's Rood Administration Center, located in Nevada City. The Rood Administrative Center houses essentially all of the County's administrative, community development agency, fiscal and law enforcement department offices, and some public works offices. The Rood Administration Center is an approximately 103,400 square foot, two story, tilt-up concrete constructed facility with a wood frame roof, built in 1987 and located on Maidu Avenue in Nevada City. The Rood Administration Center is estimated by the County to have an aggregate replacement value of \$24 million. The Leased Facilities exclude property adjacent to the Rood Administrative Center on which certain solar facilities were installed in 2018.

In connection with the issuance of the Bonds, the County will lease the Leased Facilities to the Authority under the terms of the Site Lease. Under the Lease, the County will lease back the Leased Facilities from the Authority. Upon expiration of the Lease, title to the Leased Facilities will vest in the County.

The County may, without the consent of the Owners of the Bonds, substitute, release, or add other property for the Leased Facilities or, under certain circumstances, release portions of the Leased Facilities from the provisions of the Lease, in each case subject to the terms and conditions of the Lease. The County currently intends, upon completion of the Project, to substitute the Project as the Leased Facilities. See

“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Substitution and Withdrawal of Leased Facilities.”

Although the County’s all-risk property insurance currently includes certain coverage for earthquake damage, the Lease does not require that the County maintain earthquake insurance or coverage. See “CERTAIN RISK FACTORS—No Requirement for Earthquake Insurance or Flood Insurance.”

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds from the sale of the Bonds are estimated to be applied as follows:

***Estimated Sources:***

Principal Amount of Bonds  
Original Issue Premium  
TOTAL SOURCES

***Estimated Uses:***

Acquisition and Construction Fund  
Reserve Fund  
Costs of Issuance<sup>(1)</sup>  
TOTAL USES

---

<sup>(1)</sup> Costs of Issuance include amounts to pay legal fees, municipal advisory fees, Trustee fees, rating agency fees, printing costs and other issuance costs, including the Underwriter’s discount. For details of the Underwriter’s discount, see “UNDERWRITING.”

**BOND DEBT SERVICE SCHEDULE**

The following is the debt service schedule for the Bonds.

<u><i>Payment Date</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total Debt Service</i></u>	<u><i>Fiscal Year Total</i></u>
----------------------------	-------------------------	------------------------	----------------------------------	---------------------------------

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### Base Rental Payments

The Bonds will be secured by and payable from the Base Rental Payments that are to be made by the County to the Authority under the Lease so long as the County has use and possession of the Leased Facilities. The Base Rental Payments are expected to be paid in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Bonds when due and payable. The Lease requires the County to make Base Rental Payments not later than the third to the last Business Day of each March and September, commencing March, 2019, in payment for the use and possession of the Leased Facilities during the term of the Lease.

The County will covenant in the Lease to take such action as may be necessary to include the Base Rental Payments in its annual budgets and to make the necessary annual appropriations for such payments from any lawfully available funds of the County.

All Base Rental Payments will be paid directly by the County to the Trustee and shall be held in trust by the Trustee in the Revenue Fund under the terms of the Indenture. Pursuant to the Indenture, on April 1 and October 1 of each year, commencing on April 1, 2019, the Trustee will apply such amounts in the Revenue Fund as are necessary to make principal and interest payments on the Bonds as the same shall become due and payable. Base Rental Payments will be used, *first*, for payment of interest on the Bonds and *second*, for payment of the principal of the Bonds as it becomes payable as provided in the Indenture. On April 1 of each year, after making any deposits necessary for the foregoing purposes, the Trustee will transfer any amounts remaining in the Revenue Fund to the County to be used for any lawful County purpose.

Except to the extent payable from the proceeds of insurance as provided in the Lease, Base Rental Payments will be abated proportionately during any period in which, by reason of any damage to or destruction of or title defect with respect to the Leased Facilities, there is substantial interference with the County's use and occupancy of the Leased Facilities, or any portion thereof. The Base Rental Payments will be abated as and to the extent necessary to reduce the Base Rental Payments due in each period to an amount that does not exceed the fair rental value during such period of the portion of the Leased Facilities still available for use and occupancy by the County. The abatement will continue for the period commencing on the date such substantial interference begins and ending when use and occupancy is restored to the County. Any abatement of Base Rental Payments could affect the Authority's ability to pay debt service on the Bonds, even though the Lease requires the County to maintain rental interruption insurance. See "CERTAIN RISK FACTORS—Abatement."

In the event the Leased Facilities are condemned such that any remainder is unusable for the County's purposes, the Lease shall terminate and the condemnation proceeds shall be applied to prepay the Base Rental Payments and redeem Bonds. If less than the whole of the Leased Facilities is condemned, and the remainder is usable for the purposes for which it was used by the County at the time of such taking, then there will be a partial abatement of Base Rental Payments in an amount equivalent to the amount by which the annual payments of Base Rental Payments are reduced by applying the condemnation proceeds to prepay Base Rental Payments and redeem Bonds. See "THE BONDS—Redemption" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS—THE LEASE—Eminent Domain; Prepayment."

THE BASE RENTAL PAYMENTS DO NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY IS OBLIGATED TO LEVY ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED ANY FORM OF TAXATION. THE BASE RENTAL PAYMENTS WILL BE APPROPRIATED FROM THE COUNTY'S GENERAL FUND, FROM WHICH A NUMBER OF OTHER DEBTS AND OBLIGATIONS OF THE COUNTY NOW EXISTING AND/OR TO BE INCURRED IN THE FUTURE WILL ALSO BE PAYABLE. See APPENDIX A—"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY."

IF THE COUNTY DEFAULTS ON ITS COVENANTS IN THE LEASE TO INCLUDE BASE RENTAL PAYMENTS IN ITS ANNUAL BUDGETS, THE TRUSTEE MAY, TO THE EXTENT SET FORTH IN THE LEASE, EITHER TERMINATE THE LEASE AND RELET THE LEASED FACILITIES OR MAY RETAIN THE LEASE AND HOLD THE COUNTY LIABLE FOR ALL BASE RENTAL PAYMENTS ON AN ANNUAL BASIS. See “CERTAIN RISK FACTORS—Limitations on Remedies.”

No revenues, funds or other moneys of the State are pledged to the payment of the Base Rental Payments or the Bonds, and neither the Lease nor the Bonds are obligations of the State.

### **Additional Bonds**

The Indenture provides that, at the request of the County, the Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues, and secured by a pledge of and charge and lien upon the Revenues as provided in the Indenture equal to the pledge, charge and lien securing any Outstanding Bonds, but only upon satisfaction of the conditions set forth in the Indenture. See “CERTAIN RISK FACTORS—No Limitation on County Incurring Additional Obligations; Issuance of Additional Bonds” and APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—AUTHORIZATION AND ISSUANCE OF ADDITIONAL BONDS.”

### **Reserve Fund**

The Indenture provides for the establishment of a Reserve Fund in an amount equal to the Reserve Fund Requirement, to be used and withdrawn by the Trustee solely for the purpose of funding the Interest Account or the Principal Account, in that order, in the event of any deficiency in either of such accounts on an Interest Payment Date. “Reserve Fund Requirement” means, (a) as of the date of any calculation, the least of (i) the maximum annual Base Rental Payment payable in any one-year period ending on April 1 under the Lease, (ii) 10% of the original aggregate principal amount of the Bonds, and (iii) 125% of average annual Base Rental Payments payable in any one-year period ending on October 1 under the Lease. As of the date of issuance of the Bonds, the Reserve Fund Requirement is \$\_\_\_\_\_.

Pursuant to the Indenture, the County may utilize a Reserve Facility to satisfy the Reserve Fund Requirement for the Bonds. “Reserve Facility” means any line of credit, letter of credit, insurance policy, surety bond or similar instrument, in form reasonably satisfactory to the County, that (a) names the Trustee as beneficiary thereof, (b) provides for payment on demand, (c) cannot be terminated by the issuer thereof so long as any of the Bonds secured by such Reserve Facility remain Outstanding, (d) is issued by an obligor, the obligations of which under the Reserve Facility are, at the time such Reserve Facility is substituted for all or part of the moneys on deposit in the Reserve Account, rated in one of the two highest rating categories (without regard to any modifier) by any one rating agency then rating the Certificates secured by such Reserve Facility, and (e) is deposited with the Trustee.

### **Action on Default**

Should the County default under the Lease, the Trustee, as the Authority’s assignee, may, to the extent provided in the Lease and permitted under State law, (i) terminate the Lease, retake possession of the Leased Facilities and lease or sublease the Leased Facilities for the account of the County, holding the County liable for amounts payable under the Lease for the then-current Fiscal Year to the extent of funds already appropriated; and/or (ii) take whatever action permitted at law or in equity as may appear necessary or desirable to enforce its rights under the Lease, including filing an action against the County to compel the County to appropriate and pay Base Rental Payments on an annual basis. Notwithstanding the remedies granted under the Lease, the exercise of such remedies against the County may be limited in certain circumstances. See “CERTAIN RISK FACTORS—Limitations on Remedies” and “—Bankruptcy” and



APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Remedies Upon Default.”

In no event may Base Rental Payments due over the term of the Lease be accelerated. In the event of a default, only Base Rental Payments for the then-current fiscal year, to the extent of funds already appropriated but not already paid, may be enforced. See “CERTAIN RISK FACTORS—No Acceleration Upon Default.” Upon the occurrence of an Event of Default under the Lease, the Trustee will have a first lien on the Revenues with right of payment prior to any of the Bonds.

**Insurance**

The County will covenant in the Lease to maintain or cause to be maintained rental interruption insurance in an amount sufficient to pay the maximum annual Base Rental Payments for any two consecutive year period, as well as fire and extended coverage insurance on the Leased Facilities in an amount equal to the replacement cost (without deduction for depreciation) of the Leased Facilities. Such policies may be subject to a deductible of not to exceed \$500,000 (or a comparable deductible adjusted for inflation). The Lease does not require the County to maintain earthquake coverage. The County will also obtain title insurance covering the Leased Facilities in accordance with the terms of the Lease. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Certain Covenants—Insurance.”

Net insurance proceeds received following damage to or destruction of the Leased Facilities shall be used to replace or repair the Leased Facilities or, if the County so elects, may be applied to the prepayment of Base Rental Payments and a corresponding redemption of the Bonds. Proceeds of any title insurance shall be applied to prepay Base Rental Payments and redeem Bonds. See “THE BONDS—Redemption.”

**Substitution, Addition or Release of Leased Facilities**

The County is permitted under the terms of the Lease, and without the consent of the Owners of the Bonds, to add or substitute other facilities and property for the Leased Facilities or to release portions of the Leased Facilities, subject to the terms and conditions of the Lease. The Lease requires the County to provide to the Trustee, among other things, a certificate of the County certifying that (i) the annual fair rental value of the real property and improvements that will constitute the Leased Facilities after such substitution (which may be based on the construction or acquisition cost or replacement cost of such facility to the County) or release will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year, (ii) the real property and improvements that will constitute the Leased Facilities after such substitution serve an essential purpose of the County; and (iii) the real property and improvements that will constitute the Leased Facilities after such substitution have a useful life at least equal to the remaining term of this Lease; and (iv) the substitution or release does not adversely affect the County’s use and occupancy of the Leased Facilities remaining after the substitution or release. An opinion of bond counsel stating that the substitution or release will not cause the interest on the Bonds to be included in gross income for federal income tax purposes is also required.

Upon completion of the Project, the real property initially comprising the Leased Facilities may be released upon the request of the County and, upon such release, the Project and related real property upon which the buildings comprising the Project are located will thereafter constitute the Leased Facilities under the Lease and the Site Lease. The Project may be substituted as the Leased Facilities without the need for a written appraisal or the consent of the owners of the Bonds. The County expects to exercise its right to substitute the Project as the Leased Facilities.

See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS—THE LEASE—Substitution or Release of Leased Facilities” and “—Substitution of Project as Leased Facilities.”

## **CERTAIN RISK FACTORS**

*The following section describes certain risk factors affecting the payment of and security for the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.*

### **Limited Obligation**

The Bonds are limited obligations of the Authority payable only from amounts pledged under the Indenture without recourse to the Authority, and the purchaser assumes the entire risk that the County will meet its obligations under the Lease. The County has the obligation to make the Base Rental Payments specified in the Lease for each fiscal year for which the Lease is in force, but only to the extent to which the County has use and possession of the Leased Facilities and performs certain other covenants. The County is not obligated to make Base Rental Payments in the event of an abatement, and there is no assurance that following such an event adequate funds will be held under the Indenture to make timely payment of the principal of and interest on the Bonds. See “Abatement” below.

THE BASE RENTAL PAYMENTS ARE EXPECTED TO BE APPROPRIATED FROM THE COUNTY’S GENERAL FUND, FROM WHICH A NUMBER OF OTHER DEBTS AND OBLIGATIONS OF THE COUNTY NOW EXISTING AND/OR TO BE INCURRED IN THE FUTURE ALSO WILL BE PAYABLE. SEE APPENDIX A—“ CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY” AND APPENDIX B—“AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018.”

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND DO NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

### **Limitation on Sources of Revenues**

There are limitations on the ability of the County to increase revenues. The ability of the County to increase the ad valorem property taxes (which has historically been a primary source of revenues for counties in California) is limited pursuant to Article XIII A of the State Constitution, which was enacted in 1978. In 1986, California voters approved an initiative statute that attempts to limit the imposition of new or higher taxes by local agencies, including the County. On November 5, 1996, voters approved Proposition 218 – the “Right to Vote on Taxes Act,” which further affects the ability of local agencies to levy and collect existing and future taxes, assessments, fees and charges. On November 3, 2010, California voters approved Proposition 26, which generally expands the definition of “taxes” that are subject to voter approval requirements imposed by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” below. While limitations have been imposed on the ability of the County to raise revenues, State and federally mandated expenditures for justice, health and welfare have increased. It is possible that in any given year the annual increase in mandated expenditures may exceed the annual increase in County revenues.

## **No Limitation on County Incurring Additional Obligations; Issuance of Additional Bonds**

Neither the Lease nor the Indenture contains any limitations on the ability of the County to enter into other obligations, without the consent of the Owners of the Outstanding Bonds, which may constitute additional obligations payable from its General Fund. To the extent that the County incurs such additional obligations, the County's funds available to make Base Rental Payments may be decreased. The County is currently liable on other obligations payable from General Fund revenues. See APPENDIX A—"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY" and APPENDIX B—"AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018."

The Indenture permits the Authority to issue Additional Bonds secured on a parity with the Bonds. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—AUTHORIZATION AND ISSUANCE OF BONDS—Conditions for the Issuance of Additional Bonds" and "—Proceedings for Authorization of Additional Bonds."

## **State Funding of Counties**

The County receives a significant portion of its funding from the State. As a result, decreases in the revenues received by the State can affect funding by the State to the County and other counties in the State. In addition, the realignment of responsibilities between the State and local governments can place additional financial responsibilities on the County. The potential impact of State budget actions on the County in particular, and other counties in the State generally, in future fiscal years may be materially adverse. See APPENDIX A—"CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY."

## **Abatement**

The obligation of the County under the Lease to make Base Rental Payments is in consideration for the use and right of possession of the Leased Facilities. The obligation of the County to make Base Rental Payments and Additional Rental Payments will be abated in whole, or in part, as described in the Lease if there is substantial interference with the County's use and occupancy of the Leased Facilities. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Base Rental Payments."

Except to the extent payable from the proceeds of property, rental interruption and title insurance, during any period in which by reason of damage or destruction or title defect there is substantial interference in the County's use and occupancy of the Leased Facilities, or a portion thereof, the Rental Payments due under the Lease shall be abated as and to the extent necessary to reduce the Rental Payments due in each period to an amount that does not exceed the fair rental value during such period of the portion of the Leased Facilities still available for use and occupancy by the County. Such abatement shall continue for the period commencing with the date of such substantial interference and ending when use and occupancy of the Leased Facilities is restored to the County. To the extent that moneys are available for the payment of Base Rental Payments in any of the funds and accounts established under the Indenture (except the Rebate Fund), Base Rental Payments shall not be abated as provided above, but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts. Proceeds of rental interruption insurance are to be used by the Trustee to make payments with respect to the Bonds in the event Base Rental Payments received by the Trustee are insufficient to pay principal or interest on the Bonds as such amounts become due. In the event Base Rental Payments are abated, no assurances can be given that moneys on deposit in the Revenue Fund, including the proceeds of rental interruption insurance, will be sufficient to pay the debt service on the Bonds.

The County is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Facilities. See "- Natural Disasters."

**Failure to pay principal, premium, if any, or interest on to the Bonds as a result of abatement of the County's obligation to make Base Rental Payments under the Lease is not an event of default under the Indenture or the Lease.**

### **Natural Disasters**

General. The occurrence of an earthquake, fire, flooding or other natural disaster which results in significant damage within the County could materially adversely affect the financial condition of the County. Large areas of the County consist of forests, and from time to time there have been significant wildfires. In addition, damage to all or a portion of the Leased Facilities resulting from a natural disaster or other cause could result in an abatement of Lease Payments. See “- Abatement.”

Earthquake. The County is not required under the Lease to maintain earthquake insurance on the Leased Facilities. In the event of earthquake damage to insured Leased Facilities, coverage of the insured Leased Facilities would be subject to the availability of sufficient assets and reinsurance proceeds through the various insurance pools applicable to the insured Leased Facilities.

If an earthquake were to cause serious damage to the Leased Facilities during any period when such facilities were not insured for earthquake damage, or if the proceeds of any earthquake insurance were insufficient to replace or repair the damaged Leased Facilities, the County would be limited to its General Fund, reserves, and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the County's obligation to make Base Rental Payments would be subject to abatement and rental interruption insurance proceeds likely would not be available. The County will not be obligated to repair or restore the Leased Facilities in the event of uninsured damage caused by an earthquake. See “- Abatement.”

### **Limitations on Remedies**

In the event of default by the County under the Lease, the remedies provided in the Lease may be unenforceable due to the application of principles of equity or State and federal laws relating to bankruptcy, moratorium, reorganization and creditors rights generally.

The enforcement of any of the remedies provided in the Lease could prove both expensive and time consuming. The Lease provides that the Authority may take possession of the Leased Facilities and re-let the Leased Facilities if there is a default by the County. The rights of the Authority under the Lease will be assigned to the Trustee pursuant to the Indenture, and the Trustee is expected to undertake any remedies against the County in the case of an event of default. The Trustee may be unable to re-let the Leased Facilities for an amount sufficient to pay debt service on the Bonds when due or to re-let the Leased Facilities at a rental that will provide sufficient funds for timely payment of all principal and interest due with respect to the Bonds. Moreover, due to the essential governmental nature of the Leased Facilities, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting. In such event, the Trustee would be required to sue the County for damages or file lawsuits annually to recover the Rental Payments due in each year. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Defaults and Remedies.”

A portion of the Leased Facilities located at the County Operations Center is subject to the terms of a solar license agreement pursuant to which the County has granted a license to a solar provider to construct a solar system. The County has agreed to purchase the power generated by the system from the licensee. Any re-letting of the portion of the Leased Facilities included in the solar license would be subject to the terms of the solar license and those activities would continue on that portion of the Leased Premises. The term of the license, including extension rights, extends beyond the end of the Term of the Lease. The County has concluded that the solar license does not interfere with its right to occupy the buildings located at the County Operations Center included within the Leased Facilities.

In addition, the enforceability of the rights and remedies of the Trustee and the Owners of the Bonds, and the obligations of the County under the Lease, may become subject to the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights now or hereafter in effect; equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose.

### **No Acceleration Upon Default**

In the event of a default, there is no remedy of acceleration of the Base Rental Payments due over the term of the Lease. The County will only be liable for Base Rental Payments for the then-current Fiscal Year to the extent of funds already appropriated. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Remedies Upon Default."

### **Bankruptcy**

In addition to the limitations on remedies contained in the Indenture and the Lease, the rights and remedies in the Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

The County is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. A County or Authority bankruptcy petition could have a material adverse effect on the payment of the Bonds. The following paragraphs present a discussion of certain potential consequences surrounding a potential County or Authority bankruptcy. It is not intended to be an exhaustive discussion of all potential adverse consequences or potential outcomes.

In the event the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the County's debt (a "Plan") without the consent of the Trustee or all of the Owners of Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the County could either reject the Lease or assume the Lease despite any provision of the Facilities Lease which makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects the Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Lease and the County's obligations to make payments thereunder.

The Authority is a public agency and, like the County, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding.

Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

### **Changes in Law**

There can be no assurance that the State Legislature will not at some future time enact legislation that will amend or create laws resulting in a reduction of moneys available to make the Base Rental Payments. Similarly, voters within the County or the State could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution, which could have the effect of reducing moneys available to pay the Base Rental Payments. See for example "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Articles XIII C and XIII D of the State Constitution" and "—Statutory Limitations."

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the "DOF"), <http://www.dof.ca.gov>, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "LAO") at <http://www.lao.ca.gov>. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on counties in the State, may be found at the website of the State Treasurer, <http://www.treasurer.ca.gov>. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriter, and neither the County nor the Underwriter takes any responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

### **Potential Impact of State of California Financial Condition and Budgets on the County**

The State experienced significant financial stress beginning in 2008 which lasted for several fiscal years, with budget shortfalls in the billions of dollars. Despite the recent significant budgetary improvements, there remain a number of budget risks that threaten the financial condition of the State, including the threat of recession and the significant unfunded liabilities of the two main retirement systems managed by State entities, the California Public Employees' Retirement System ("CalPERS") and the California State Teachers' Retirement System. The State also has a significant unfunded liability with respect to other post-employment benefits.

Current and future State budgets will be affected by national and State economic conditions and other factors over which the County has no control. The County cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that the State will not significantly reduce revenues to local governments (including the County) or shift financial responsibility for programs to local governments as part of its efforts to address State financial conditions. There can be no assurance that State actions to respond to State financial conditions or difficulties will not materially adversely affect the financial condition of the County.

## **Climate Change**

The change in the earth's average atmospheric temperature, generally referred to as "climate change", is expected to, among other things, increase the frequency and severity of extreme weather events and fires, and cause substantial flooding and increased fire risk. The County cannot predict the timing, extent, or severity of climate change and its impact on the County's operations and finances, but such impact could be material and adverse.

## **Cybersecurity**

The County relies on a large and complex technology environment to conduct its operations. The County and its departments face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. [[There have been, however, only limited cyber-attacks on the County's computer system.]] No assurances can be given that the County's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the County's computer and information technology systems could impact its operations and damage the County's digital networks and systems, and the costs and/or impacts on operation resulting therefrom could be material.

## **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority or the County in violation of covenants in the Indenture and the Lease.

It is possible that subsequent to the issuance of the Bonds there might be federal, State, or local statutory changes (or judicial or regulatory interpretations of federal, State, or local law) that affect the federal, State, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur. See "TAX MATTERS."

Should a future event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

### **Article XIII A of the State Constitution**

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to (1) ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978, or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (3) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership

has occurred after the 1975 assessment” (“Full Cash Value”). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the County may appeal the determination of the County Assessor of the Full Cash Value of their property. At any given point in time, a significant number of appeals are pending in the County. If the assessed value of a property is reduced as a result of an assessment appeal or because the property is sold at a price less than the current assessed value, the reduction is borne by relevant taxing agencies, including the County. The number of assessment appeals during the current fiscal year has decreased over the same period in the prior fiscal year.

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or “severely disabled homeowners” who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

### **Article XIII B of the State Constitution**

State and local government agencies in the State are each subject to annual “appropriations limits” imposed by Article XIII B of the State Constitution (“Article XIII B”). Article XIII B prohibits government agencies and the State from spending “appropriations subject to limitation” in excess of the appropriations limit imposed. “Appropriations subject to limitation” are generally authorizations to spend “proceeds of taxes,” which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed “the cost reasonably borne by that entity in providing the regulation, product, or service” (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not “proceeds of taxes,” appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, a county’s appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing



services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If county revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

### **Articles XIII C and XIII D of the State Constitution**

On November 5, 1996, the voters of the State approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. On November 3, 2010, California voters approved Proposition 26, which generally expands the definition of “taxes” that are subject to voter approval requirements imposed by Proposition 218. Proposition 26 will most likely be subject to numerous court challenges, and the County is currently unable to predict how Proposition 26 will be interpreted, or to what extent this measure will affect the revenues in the County’s General Fund.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the General Fund, require a two-thirds vote. Article XIII C defines “tax” as any levy, charge or exaction of any kind imposed by a local government, except for 1) (1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) A charge imposed as a condition of property development; (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D. In addition, the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

The voter approval requirements of Article XIII C reduce the County’s flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D contains several provisions making it generally more difficult for local agencies to levy and maintain “assessments” for municipal services and programs. “Assessment” is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. The County has several County service areas in discrete unincorporated communities that pay for services that otherwise would have to be funded, if they are funded at all, through the General Fund. If the County is unable to continue to collect assessment revenues for these programs, the programs might have to be curtailed and/or funded by amounts in the General Fund. The County is unable to predict whether it will be able to continue to collect assessment revenues for these programs in light of Article XIII D. If such assessment revenues cannot be collected, the County is unable to predict whether or to what extent it would use any General Fund moneys to maintain which affected programs. The provisions of Article XIII D will also make it more difficult for the County to establish assessment-based programs in the future.

Article XIII D also contains several new provisions affecting a “fee” or “charge,” defined for purposes of Article XIII D to mean “any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service.” All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as “property related” for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIII C removes prohibitions and limitations on the initiative power in matters of any “local tax, assessment, fee or charge.” Consequently, the voters of the County could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. “Assessment,” “fee” and “charge,” are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C. If the Article XIII D definitions are not held to limit the scope of Article XIII C initiative powers, then the Article XIII C initiative power could potentially apply to revenue sources that currently constitute a substantial portion of General Fund revenues. No assurance can be given that the voters of the County will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

### **Statutory Limitations**

A statutory initiative (“Proposition 62”) was adopted by State voters at the November 4, 1986 General Election, which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency’s legislative body and by a majority of the electorate of the governmental entity voting in such election, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction voting in such election, (3) restricts the use of revenues from a special tax to the purpose or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate voting in such election within two years of the adoption of the initiative or be terminated by November 15, 1988. Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

On September 28, 1995, the California Supreme Court, in the case of Santa Clara County Local Transportation Authority v. Guardino, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only

54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

### **Proposition 22**

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the California Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The County cannot predict whether Proposition 22 will have a beneficial effect on the County's financial condition.

### **Future Initiatives**

Article XIII A, Article XIII B and Propositions 62, 218, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues.

## **LITIGATION**

No litigation is pending or threatened against the Authority or the County seeking to restrain or enjoin the sale or issuance of the Bonds or contesting the power of the Authority to issue the Bonds or the validity of the Indenture, the Site Lease, the Lease or the Bonds. Other than as otherwise addressed in this Official Statement, the County is of the view that the aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgments which may result from suits and claims will not materially affect the County's ability to make the Base Rental Payments due under the Lease.

In February 1998, the Securities and Exchange Commission (the "Commission") issued an order instituting enforcement proceedings against the County and others concerning the County's Wildwood Estates Community Facilities District Mello-Roos special tax bonds (the "Wildwood Mello-Roos Bonds"). Approximately \$9 million principal amount of Wildwood Mello-Roos Bonds were issued in 1990 to finance or refinance the construction of public improvements for an undeveloped approximately 286-acre parcel known as Wildwood Estates. Thereafter, the County, without admitting or denying the Commission's allegations,

submitted an Offer for Settlement to the Commission, which the Commission accepted, thereby concluding certain matters related to alleged material misstatements and omissions relating to property valuations, developer information and descriptions of the financing terms, in the Official Statement for the Wildwood Mello-Roos Bonds. The Commission's Order (dated May 5, 1998) directs the County to cease and desist from committing or causing any violation or any future violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, which sections relate to material misstatements or omissions in official statements. No monetary or other penalties were imposed. The Wildwood Mello-Roos Bonds originally defaulted in 1998, and were discharged in bankruptcy in 2015.

## **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the Bond is excluded from gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Authority and the County and others and is subject to the condition that the Authority and the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the County will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Beneficial Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Lease and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion

from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the County continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is attached hereto in Appendix E.

### **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the issuance of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Authority. See “APPENDIX E—“PROPOSED FORM OF BOND COUNSEL OPINION.” Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County by the Office of the County Counsel (“County Counsel”) and for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Schiff Hardin LLP.

Bond Counsel and Disclosure Counsel and counsel to the Underwriter will receive compensation contingent upon the sale and delivery of the Bonds.

## **RATING**

The County has received the rating of “\_\_\_” on the Bonds from S&P Global Ratings (“S&P”). Certain information was supplied by the County to S&P to be considered in evaluating the Bonds (which may include information and material which is not included in this Official Statement). In addition, rating agencies may base their ratings on investigations, studies and assumptions by the rating agencies. The rating issued reflects only the views of S&P, and any explanation of the significance of such rating should be obtained from S&P. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Other than as provided in the Continuing Disclosure Certificate, the County undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of and the ability to trade the Bonds.

## **UNDERWRITING**

The Bonds are being purchased by Raymond James & Associates, Inc. (the “Underwriter”), from the Authority. The Underwriter has agreed to purchase the Bonds at a purchase price equal to \$\_\_\_\_\_, which represents the par amount of the Bonds, plus original issue premium of \$\_\_\_\_\_, less an underwriter’s discount of \$\_\_\_\_\_. The purchase contract pursuant to which the Bonds are being sold provides that the Underwriter will purchase all of the Bonds if any such Bonds are purchased with the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

## **MUNICIPAL ADVISOR**

KNN Public Finance, LLC has acted as Municipal Advisor to the County in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”), the County will execute the Continuing Disclosure Certificate.

The County will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the County by not later than February 25 following the end of the County’s Fiscal Year (presently June 30) (the “Annual Report”), commencing with the report for the fiscal year ending June 30, 2018, and to provide notices of the occurrence of certain enumerated events. The specific nature of the terms of the continuing disclosure obligation are described in APPENDIX F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Notwithstanding any provision of the Indenture, failure of the County to comply with the Continuing Disclosure Certificate shall not be an event of default under the Indenture or the Lease. However, any Owner or Beneficial Owner of the Bonds may take such action as is necessary and appropriate, including seeking

mandate or a judgment for specific performance, to cause the County to comply with its obligations with respect to the Continuing Disclosure Certificate.

The County entered into a continuing disclosure undertaking in 2011 (the “Prior Undertaking”) in connection with the issuance of County of Nevada Certificates of Participation (2011 Refunding). During the last five years the County filed the annual report for Fiscal Year 2012-13 71 days late and did not, at the time, link such reports to all applicable CUSIPs). In addition, in each of the reports which were filed the last five years, the County failed to include certain information relating to assessment appeals as required by the Prior Undertaking. The County also failed to make a filing with respect to an insurer upgrade in 2014. The County made a corrective filing with respect to these items in October 2018. The County also retained Digital Assurance Corporation in 2018 to assist it in continuing disclosure undertaking compliance.

### **INDEPENDENT AUDITORS**

The financial statements of the County for the Fiscal Year ended June 30, 2018, included in APPENDIX B of this Official Statement, have been audited by CliftonLarsonAllen LLP, certified public accountants, as stated in their report therein. CliftonLarsonAllen LLP has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by CliftonLarsonAllen LLP with respect to any event subsequent to the date of its report. See APPENDIX B—“AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR ENDED JUNE 30, 2018.”

### **MISCELLANEOUS**

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Bonds.

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

### **NEVADA COUNTY FINANCE AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**APPENDIX A**  
**CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY**



**APPENDIX B**

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE COUNTY  
FOR FISCAL YEAR ENDED JUNE 30, 2018**

## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Reference made to [www.dtcc.com](http://www.dtcc.com) is presented as a link for additional information regarding DTC and is not a part of this Official Statement.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal of such issue.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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](http://www.dtcc.com).

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 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 maturity 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Authority, 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 Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

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

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

**APPENDIX D**  
**SUMMARY OF CERTAIN PROVISIONS**  
**OF THE PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX E**

**PROPOSED FORM OF BOND COUNSEL OPINION**

,

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**