

NEW ISSUE – BOOK-ENTRYRATINGS

INSURED 2025B BONDS RATING: S&P: AA
UNDERLYING RATING: S&P: A+

(See “CONCLUDING INFORMATION - Ratings on the 2025B Bonds” herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the 2025B Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the 2025B Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2025B Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel is also of the opinion that, under existing law, interest on the 2025B Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.

\$37,075,000*
SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
TAX ALLOCATION REFUNDING BONDS
2025 SERIES B

Dated: Date of Delivery

Due: September 1 as shown on the inside cover page

Proceeds from the sale of the Santa Cruz County Redevelopment Successor Agency (the “Successor Agency”) Tax Allocation Refunding Bonds, 2025 Series B (the “2025B Bonds”) will be used to refinance certain outstanding obligations of the Successor Agency, to satisfy the reserve requirement for the 2025B Bonds, and to pay costs of issuance of the 2025B Bonds.

The 2025B Bonds will be issued under an Indenture of Trust dated as of November 1, 2025 (the “Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The 2025B Bonds are special obligations of the Successor Agency and are payable solely from and secured by a pledge of certain tax increment revenues of the former County of Santa Cruz Redevelopment Agency (the “Former Agency”) Live Oak/Soquel Community Improvement Project Area on a parity with certain obligations of the Successor Agency and certain obligations of the Former Agency to remain outstanding and a pledge of amounts in certain funds and accounts established under the Indenture (see “SECURITY FOR THE 2025B BONDS” and “RISK FACTORS”).

Interest on the 2025B Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2026, until maturity (see “THE 2025B BONDS - General Provisions” herein). The 2025B Bonds are not subject to redemption prior to maturity.

The 2025B Bonds do not constitute a debt or liability of the County of Santa Cruz, the State of California or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the 2025B Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the County of Santa Cruz, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the 2025B Bonds. The Successor Agency has no taxing power.

The scheduled payment of principal of and interest on the 2025B Bonds maturing on September 1 of the years ____ through ____, inclusive, with CUSIP #'s _____ (collectively, the “Insured 2025B Bonds”), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured 2025B Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See “MUNICIPAL BOND INSURANCE” and “APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”



The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2025B Bonds.

The 2025B Bonds are being offered when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California. Certain legal matters will also be passed on for the Successor Agency by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Disclosure Counsel, and by the Santa Cruz County Counsel, as Successor Agency Counsel and for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the 2025B Bonds will be available for delivery through the facilities of The Depository Trust Company on or about November 13, 2025 (see “APPENDIX G - THE BOOK-ENTRY SYSTEM” herein).

The date of the Official Statement is _____, 2025.

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* Preliminary, subject to change.

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

\$37,075,000*
SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
TAX ALLOCATION REFUNDING BONDS
2025 SERIES B

MATURITY SCHEDULE

Maturity Date	Principal	Interest			CUSIP®†
<u>September 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>(80182Y)</u>
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. Copyright (c) 2025 CUSIP Global Services. All rights reserved. CUSIP numbers have been assigned by an independent company not affiliated with the Successor Agency or the Municipal Advisor and are included solely for the convenience of the holders of the 2025B Bonds. None of the Successor Agency, the Municipal Advisor, or their agents or counsel is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2025B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2025B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2025B Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Investment in the 2025B Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth or income) who understand (either alone or with competent investment advice) those risks should consider such an investment.

Except where otherwise indicated, all information contained in this Official Statement has been provided and deemed final by the Successor Agency. No dealer, broker, salesperson or other person has been authorized by the Successor Agency or the Municipal Advisor to give any information or to make any representations in connection with the offer or sale of the 2025B Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Successor Agency or the Municipal Advisor. 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 2025B Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the Successor Agency. This Official Statement is not to be construed as a contract with the purchasers or Owners of the 2025B Bonds. Statements contained in this Official Statement which involve estimates, 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 fact.

The information and expressions of opinion herein are subject to change without notice and neither the 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 Successor Agency or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information in connection therewith. While the County of Santa Cruz maintains an internet website and certain social media accounts for various purposes, none of the information on that website or those accounts is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2025B Bonds or any other bonds or obligations of the Successor Agency. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Successor Agency does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The Successor Agency is obligated to provide continuing disclosure for certain historical information only. See the caption “CONCLUDING INFORMATION - Continuing Disclosure” herein.

IN CONNECTION WITH THE OFFERING OF THE 2025B BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2025B 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 2025B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2025B BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Insured 2025B Bonds or the advisability of investing in the Insured 2025B Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX F- Specimen Municipal Bond Insurance Policy.”

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY**

SANTA CRUZ COUNTY, CALIFORNIA

BOARD OF SUPERVISORS AND SUCCESSOR AGENCY GOVERNING BOARD

Manu Koenig, *Supervisor, 1st District*
Kimberly De Serpa, *Supervisor, 2nd District*
Justin Cummings, *Supervisor, 3rd District*
Felipe Hernandez, *Supervisor, 4th District*
Monica Martinez, *Supervisor, 5th District*

COUNTY KEY ADMINISTRATIVE PERSONNEL AND ELECTED OFFICIALS

Carlos Palacios, *County Executive Officer*†
Laura Bowers, *Auditor-Controller-Treasurer-Tax Collector*
Sheri Thomas, *Assessor-Recorder*
Jason M. Heath, *County Counsel*
Nicole Coburn, *Assistant County Executive Officer*†
Elissa Benson, *Assistant County Executive Officer*
Melodye Serino, *Deputy County Executive Officer*
Matt Machado, *Deputy County Executive Officer/Director
of Community Development and Infrastructure*

PROFESSIONAL SERVICES

Bond Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

Municipal Advisor

Harrell & Company Advisors, LLC
Tustin, California

Trustee and Escrow Agent

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

Verification Agent

Robert Thomas CPA, LLC
Overland Park, Kansas

† Carlos Palacios is retiring and the Board of Supervisors has appointed Nicole Coburn as the County Executive Officer effective October 25, 2025.

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OFFICIAL STATEMENT

\$37,075,000*

SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY

TAX ALLOCATION REFUNDING BONDS 2025 SERIES B

This Official Statement, which includes the cover page, inside cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Santa Cruz County Redevelopment Successor Agency Tax Allocation Refunding Bonds, 2025 Series B (“2025B Bonds”).

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the 2025B Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see “RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the 2025B Bonds, see the summary included in “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” herein.

The Successor Agency and the Former Agency

The Santa Cruz County Redevelopment Agency (the “Former Agency”) was established in 1986 by the Board of Supervisors (the “Board”) of the County of Santa Cruz (the “County”) pursuant to the Community Redevelopment Law (the “Redevelopment Law”), constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the “State”). On June 29, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012, and as further amended on September 22, 2015 by Senate Bill No. 107 (“SB 107”) enacted as Chapter 325, Statutes of 2015. The provisions of Part 1.85 as amended by AB 1484 and SB 107 are referred to in this Official Statement as the “Dissolution Act.” The Redevelopment Law, as amended by the Dissolution Act, is sometimes referred to herein as the “Law.”

* Preliminary, subject to change.

Pursuant to Section 34173 of the Dissolution Act, the Board serves as the governing board of the successor agency to the Former Agency. Since the February 1, 2012 dissolution of the Former Agency, the Board has served as the governing board of the Santa Cruz County Redevelopment Successor Agency (the “Successor Agency”). The Successor Agency is governed by the members of the Board. The County Executive Officer acts as the Successor Agency’s Administrative Officer (see “THE SUCCESSOR AGENCY” herein).

Section 34173(g) of the Dissolution Act expressly affirms that the Successor Agency is a separate public entity from the County, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the County nor will the assets of the Former Agency become assets of the County (see “THE SUCCESSOR AGENCY” herein).

The County

The County was incorporated in 1850. It has a general law form of government. It is located on the coast of California, between the San Francisco Bay Area and the Monterey Bay Peninsula, 73 miles south of San Francisco (see “APPENDIX B - COUNTY OF SANTA CRUZ INFORMATION STATEMENT” herein).

Authority and Purpose

The 2025B Bonds are being issued pursuant to the Constitution and laws of the State, including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the “Refunding Law”), the Law and an Indenture of Trust dated as of November 1, 2025 (the “Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A, as trustee (the “Trustee”).

The 2025B Bonds are being issued to refund the Successor Agency’s outstanding Tax Allocation Refunding Bonds, 2016 Series A (the “2016A Bonds”), to satisfy the reserve requirement for the 2025B Bonds, and to pay costs of issuance of the 2025B Bonds. See “THE FINANCING PLAN” herein.

Tax Allocation Financing Under the Dissolution Act

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopted the redevelopment plan became the base year valuation. Assuming the taxable valuation never dropped below the base year level, the Taxing Agencies, as defined herein, thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

Under the Dissolution Act, moneys will be deposited from time to time in a Redevelopment Property Tax Trust Fund (the “Redevelopment Property Tax Trust Fund” or “RPTTF”) held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects using current assessed values on the last equalized roll on August 20 each year. See “SECURITY FOR THE 2025B BONDS” herein for additional information.

The Dissolution Act authorizes refunding bonds, including the 2025B Bonds, to be secured by a pledge of moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Tax Revenues, as hereinafter defined, pledged to pay the 2025B Bonds consist of a portion of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund (see “Security for the 2025B Bonds” below).

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedules (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions" and "SECURITY FOR THE 2025B BONDS - Recognized Obligation Payment Schedules").

The Redevelopment Project

The Redevelopment Plan ("Redevelopment Plan") for the Live Oak/Soquel Community Improvement Project Area (the "Redevelopment Project") was adopted in 1987. The Redevelopment Project is an area containing approximately 3,760 acres, and is comprised of all the unincorporated urbanized area of the Live Oak and Soquel planning areas in the County. The Redevelopment Project has approximately 3 miles of coastline and has primarily residential land uses with commercial development along the major circulation corridors. See "THE REDEVELOPMENT PROJECT" herein for additional information on the Redevelopment Project and "THE SUCCESSOR AGENCY" herein for additional information on the Redevelopment Plan.

Security for the 2025B Bonds

For the security of the 2025B Bonds, the Successor Agency grants a pledge of and lien on all of the Tax Revenues, on a parity with the pledge and lien which secures all of the Former Agency's and the Successor Agency's outstanding tax allocation bonds (the "Parity Bonds," as described below).

"Tax Revenues," as originally defined in the indentures for the Parity Bonds and as defined in the Indenture, consist of Tax Increment Revenues, as hereafter defined, together with reimbursements, subventions (but excluding payments to the Successor Agency with respect to the personal property within the Redevelopment Project pursuant to Section 16110, et seq., of the Government Code of the State), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes and including that portion of such taxes otherwise required by Section 33334.3 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the 2025B Bonds, the Parity Bonds and any Additional Bonds (including applicable reserves and financing costs) attributed to amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Redevelopment Law to increase, improve or preserve the supply of low- and moderate-income housing within or of benefit to the Redevelopment Project; but excluding (i) all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the Successor Agency pursuant to Section 33334.3 of the Redevelopment Law, (ii) all amounts payable by the Successor Agency to affected Taxing Agencies pursuant to any existing Tax Sharing Agreements, unless the payment of such amounts has been subordinated to the payment of debt service on the 2025B Bonds, the Parity Bonds or any Additional Bonds, (iii) the School District Election Amount, and (iv) the Statutory Tax Sharing Amounts.

As discussed under the heading "SECURITY FOR THE 2025B BONDS - Tax Revenues - Elimination of the 20% Housing Set-Aside," the Dissolution Act eliminated the requirement under Section 33334.3 of the Redevelopment Law to deposit a portion of Tax Increment Revenues in the Low and Moderate Income Housing Fund. As a result, under the Dissolution Act, the amount of such Tax Increment Revenues excluded under clause (i) of the definition of Tax Revenues will be available for and pledged to the payment of debt service on the 2025B Bonds and Parity Bonds.

"Tax Increment Revenues" means those taxes deposited in the Redevelopment Property Tax Trust Fund with respect to the Redevelopment Project pursuant to Article 6 of Chapter 6 of the Redevelopment Law,

and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State law, and as provided in the Redevelopment Plan.

The County administrative costs allowed under Section 34182 of the Law and Section 95.3 of the California Revenue and Taxation Code will be deducted from Tax Increment Revenues deposited in the Redevelopment Property Tax Trust Fund.

See “FINANCIAL INFORMATION - Property Taxation in California” and “Tax Sharing Agreements and Tax Sharing Statutes” herein for a definition and discussion of the Tax Sharing Agreements, the School District Election Amount and the Statutory Tax Sharing Amounts.

Taxes levied on the property within the Redevelopment Project on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll of the Redevelopment Project will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County’s Auditor-Controller-Treasurer-Tax Collector (the “County Auditor-Controller”) to the Successor Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE 2025B BONDS - Recognized Obligation Payment Schedules”). Moneys deposited by the County Auditor-Controller into the Successor Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Successor Agency to the Special Fund, and then to the Trustee for deposit in the Debt Service Fund established under the Indenture and under the Parity Bonds Indentures, as defined below, and administered by the Trustee in accordance with the Indenture.

The Successor Agency may issue refunding bonds payable from Tax Revenues on a parity with the 2025B Bonds and the Parity Bonds (“Parity Debt”) in certain circumstances but only for refunding purposes. See “SECURITY FOR THE 2025B BONDS - No Additional Debt Other Than Refunding Bonds” herein.

The 2025B Bonds do not constitute a debt or liability of the County, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the 2025B Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the County, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the 2025B Bonds. The Successor Agency has no taxing power.

Parity Bonds

The Successor Agency has pledged to the repayment of the 2025B Bonds (and has secured the 2025B Bonds by a lien on) Tax Revenues on a parity basis with the pledge of such Tax Revenues pursuant to:

- an Indenture of Trust dated as of April 1, 2007 by and between the Former Agency and the Trustee (the “2007 Refunding Indenture”) relating to the Former Agency’s 2007 Taxable Housing Tax Allocation Refunding Bonds (the “2007 Refunding Bonds”);
- an Indenture of Trust dated as of March 1, 2015 by and between the Successor Agency and the Trustee (the “2015 Series B Indenture”) relating to the Successor Agency’s Taxable Tax Allocation Refunding Bonds, 2015 Series B (“2015 Series B Bonds”);
- an Indenture of Trust dated as of April 1, 2017 by and between the Successor Agency and the Trustee (the “2017 Indenture”) relating to the Successor Agency’s Taxable Tax Allocation Refunding Bonds, 2017 Series A (“2017 Bonds”); and

- an Indenture of Trust dated as of July 1, 2025 by and between the Successor Agency and the Trustee (the “2025A Indenture”) relating to the Successor Agency’s Tax Allocation Refunding Bonds, 2025 Series A (“2025A Bonds”).

Collectively, the 2007 Refunding Bonds, the 2015 Series B Bonds, the 2017 Bonds and the 2025A Bonds are referred to herein as the “Parity Bonds” and the 2007 Refunding Indenture, the 2015 Series B Indenture, the 2017 Indenture and the 2025A Indenture are referred to herein as the “Parity Bonds Indentures.” The outstanding par amount and maturity dates for each series of the Parity Bonds can be found under the heading “FINANCIAL INFORMATION - Outstanding Indebtedness” herein.

Municipal Bond Insurance and Reserve Account Surety Policy

Concurrently with the issuance of the 2025B Bonds, Build America Mutual Assurance Company (“BAM” or the “Insurer”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the 2025B Bonds maturing on September 1 of the years ____through ____, inclusive, with CUSIP #'s__ (collectively, the “Insured 2025B Bonds”). See “MUNICIPAL BOND INSURANCE” herein. The Policy guarantees the scheduled payment of principal of and interest on the Insured 2025B Bonds when due as set forth in the form of the Policy included as “APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.” In order to further secure the payment of the principal of and interest on the 2025B Bonds, a Reserve Account has been established by the Indenture for the 2025B Bonds. The Reserve Account will be funded by the purchase of a Municipal Bond Debt Service Reserve Insurance Policy (the “2025B Reserve Policy”) issued by the Insurer in an amount equal to the 2025B Reserve Requirement. The 2025B Reserve Policy secures only the 2025B Bonds and does not secure any Parity Bonds. See “SECURITY FOR THE 2025B BONDS - Reserve Account - Reserve Policy.”

Legal Matters

All legal proceedings in connection with the issuance of the 2025B Bonds are subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, as Bond Counsel (“Bond Counsel”). Such opinion, and certain tax consequences incident to the ownership of the 2025B Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading “TAX MATTERS” herein. Certain legal matters will be passed on for the Successor Agency by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Disclosure Counsel, and by the County Counsel, as General Counsel to the Successor Agency. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California.

Offering of the 2025B Bonds

Authority for Issuance. The 2025B Bonds are to be issued and secured pursuant to the Indenture, as authorized by Resolution No. 10-2025 of the Board acting in its capacity as the governing board of the Successor Agency adopted on February 11, 2025, the Refunding Law and the Law. The 2025B Bonds are authorized to be sold pursuant a Bond Purchase Agreement as authorized by Resolution No. ____ of the Board acting in its capacity as the governing board of the Successor Agency adopted on October 21, 2025. The Santa Cruz County Consolidated Oversight Board (the “Oversight Board”) approved the action taken by the Successor Agency to refinance the 2016 Bonds on March 4, 2025. The State Department of Finance (“DOF”) approved the Oversight Board action by letter dated April 24, 2025.

Offering and Delivery of the 2025B Bonds. The 2025B Bonds are offered, when, as and if issued, subject to the approval as to their legality by Bond Counsel. It is anticipated that the 2025B Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about November 13, 2025. See “APPENDIX G - THE BOOK-ENTRY SYSTEM.”

Summary Not Definitive

The summaries and references contained herein with respect to the Indenture, the 2025B Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the 2025B Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of these documents may be obtained after delivery of the 2025B Bonds from the Successor Agency at the County Government Center, 701 Ocean Street, Santa Cruz, California 95060.

THE 2025B BONDS

General Provisions

The 2025B Bonds will be dated their date of original delivery, will be issued in fully registered form, in denominations of \$5,000 and any integral multiple thereof and will mature on the dates and in the principal amounts and bear interest at the rates as set forth on the inside cover page of this Official Statement.

Interest on the 2025B Bonds will be payable on each March 1 and September 1 (each an “Interest Payment Date”), commencing March 1, 2026, from the Interest Payment Date next preceding the date of authentication thereof, unless (a) a 2025B Bond is authenticated after the 15th calendar day of the month preceding an Interest Payment Date (each, a “Regular Record Date”) and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a 2025B Bond is authenticated on or before February 15, 2026 in which event it shall bear interest from the date of delivery of the 2025B Bonds; provided, however, that if, as of the date of authentication of any 2025B Bond, interest with respect to such 2025B Bond is in default, such 2025B Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to such 2025B Bond.

Interest shall be paid on each Interest Payment Date to the persons in whose names the ownership of 2025B Bonds is registered on the Registration Books at the close of business on the immediately preceding Regular Record Date.

Payments of Principal and Interest; Book-Entry System. The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the 2025B Bonds. The 2025B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the 2025B Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to participants in DTC’s book-entry only system, which will in turn remit such interest and principal to Beneficial Owners of the 2025B Bonds (see “APPENDIX G - THE BOOK-ENTRY SYSTEM” herein). As long as DTC is the registered owner of the 2025B Bonds and DTC’s book-entry method is used for the 2025B Bonds, the Trustee will send any notices to Bond Owners only to DTC.

No Redemption Prior to Maturity

The 2025B Bonds are not subject to redemption prior to maturity.

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Scheduled Debt Service on the 2025B Bonds

The following is the scheduled semi-annual and annual Debt Service on the 2025B Bonds.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
March 1, 2026				
September 1, 2026				
March 1, 2027				
September 1, 2027				
March 1, 2028				
September 1, 2028				
March 1, 2029				
September 1, 2029				
March 1, 2030				
September 1, 2030				
March 1, 2031				
September 1, 2031				
March 1, 2032				
September 1, 2032				
March 1, 2033				
September 1, 2033				
March 1, 2034				
September 1, 2034				
March 1, 2035				
September 1, 2035				
March 1, 2036				
September 1, 2036				
Total				

THE FINANCING PLAN

The Refunding Plan

On the Closing Date, a portion of the proceeds of the 2025B Bonds will be transferred to the Trustee as escrow agent for deposit in an escrow fund pursuant to a 2016A Escrow Agreement, dated as of November 1, 2025 (the “2016A Escrow Agreement”) by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent (the “Escrow Agent”).

The amount deposited under the 2016A Escrow Agreement, together with other available moneys, will be invested in Federal Securities or held uninvested and irrevocably pledged for the redemption of the outstanding 2016A Bonds on December 15, 2025 at a redemption price equal to 101% of the principal of the 2016A Bonds to be redeemed together with accrued interest with respect thereto to the date fixed for redemption.

Amounts so deposited under the 2016A Escrow Agreement will be pledged to the payment of the redemption price with respect to the 2016A Bonds on the redemption date. Robert Thomas CPA, LLC (the “Verification Agent”) will verify, from the information provided to them, the mathematical accuracy as of the date of the closing on the 2025B Bonds of the computations contained in the provided schedules to

determine that the amounts listed in the schedules prepared by the Municipal Advisor, to be held under the Escrow Agreement, will be sufficient to pay, when due, the redemption price of the 2016A Bonds.

The lien of the 2016A Bonds will be discharged, terminated and of no further force and effect upon the deposit with the Escrow Agent of the amounts required pursuant to the 2016A Escrow Agreement. The funds deposited under the 2016A Escrow Agreement will not be available to pay debt service on the 2025B Bonds.

Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the 2025B Bonds and other available funds and will apply them as shown below.

Sources of Funds

Par Amount of 2025B Bonds
Original Issue Premium

Total Source of Funds

Uses of Funds

Transfer to Escrow Agent
Underwriter's Discount
Costs of Issuance ⁽¹⁾
Total Use of Funds

⁽¹⁾ Costs of issuance include fees and expenses of Bond Counsel, the Municipal Advisor, Disclosure Counsel, Verification Agent, Trustee and Escrow Agent, costs of posting the Official Statement, rating fee, premiums for the Policy and the 2025B Reserve Policy and other costs of issuance of the 2025B Bonds.

THE DISSOLUTION ACT

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same lien priority and legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedules (see "SECURITY FOR THE 2025B BONDS - Recognized Obligation Payment Schedules").

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged

to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the 2025B Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Redevelopment Project each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "Taxing Agencies") after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Redevelopment Project, if any, are to be divided as follows:

- (a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Redevelopment Project as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan (the "base year valuation"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and
- (b) To the Former Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which is attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within limitations established by the Redevelopment Plan, when collected will be paid into a special fund of the Successor Agency.

Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former Agency.

Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above. Pursuant to SB 107, effective September 22, 2015, debt service override revenues approved by the voters for the purpose of supporting pension programs or capital projects, and programs related to the State Water Project, that are not pledged to or needed for debt service on successor agency obligations are allocated and paid to the entity that levies the override and will not be deposited into the Redevelopment Property Tax Trust Fund.

That portion of the levied taxes described in paragraph (b) above and allocated to the Successor Agency constitute Tax Increment Revenues as that term is used herein.

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SECURITY FOR THE 2025B BONDS

Tax Revenues

Tax Revenues pledged to the 2025B Bonds and the Parity Bonds are defined as Tax Increment Revenues, together with reimbursements, subventions (but excluding payments to the Successor Agency with respect to the personal property within the Redevelopment Project pursuant to Section 16110, et seq., of the Government Code of the State), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes and including that portion of such taxes otherwise required by Section 33334.3 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the 2025B Bonds, the Parity Bonds and any Additional Bonds (including applicable reserves and financing costs) attributed to amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Redevelopment Law to increase, improve or preserve the supply of low- and moderate-income housing within or of benefit to the Redevelopment Project; but excluding (i) all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the Successor Agency pursuant to Section 33334.3 of the Redevelopment Law, (ii) all amounts payable by the Successor Agency to affected Taxing Agencies pursuant to any existing Tax Sharing Agreements, unless the payment of such amounts has been subordinated to the payment of debt service on the 2025B Bonds, the Parity Bonds or any Additional Bonds; (iii) the School District Election Amount, and (iv) the Statutory Tax Sharing Amounts (as defined in “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes”).

By definition, under the Dissolution Act, Tax Revenues exclude County administrative costs allowed under Section 34182 of the Law and Section 95.3 of the California Revenue and Taxation Code.

Elimination of the 20% Housing Set-Aside. As described above, Tax Revenues pledged to the 2016 Bonds and Parity Bonds included amounts previously required to be deposited in the Former Agency’s Low and Moderate Income Housing Fund (the “20% Housing Set-Aside”), to the extent that the 2016 Bonds and the Parity Bonds, or portions thereof, were used to increase or improve the supply of low- and moderate-income housing within or of benefit to the Redevelopment Project (the “Housing Amount”). Prior to dissolution, the Former Agency used the Housing Amount to pay debt service on all or a portion of several series of the Former Agency’s bonds previously refinanced by the Successor Agency. The Dissolution Act has eliminated the 20% Housing Set-Aside requirement and none of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund is designated as 20% Housing Set-Aside. After the Former Agency’s dissolution, all of the outstanding , 2016 Bonds and Parity Bonds have been paid from RPTTF disbursements without any allocation of the Housing Amount, and will continue to be paid from and secured by a lien on the former 20% Housing Set-Aside.

Redevelopment Property Tax Trust Fund

Deposits to the Redevelopment Property Tax Trust Fund. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former Agency.

Disbursements from the Redevelopment Property Tax Trust Fund. The Redevelopment Law authorized redevelopment agencies to make payments to Taxing Agencies to alleviate any financial burden or detriments to such Taxing Agencies caused by a redevelopment project. The Former Agency entered into a number of agreements with the Taxing Agencies for this purpose (“Tax Sharing Agreements”). Additionally, Sections 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted on or after June 1, 1994 or amended after January 1, 1994 in

a manner specified in such section (the “Statutory Tax Sharing”). Because of amendments to the Redevelopment Plan adopted after January 1, 1994, the Successor Agency is obligated to make Statutory Tax Sharing payments. See “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes” herein).

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

- (i) first, subject to certain adjustments (as described below) for subordinations to the extent permitted under the Dissolution Act (if any, as described below under “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes”) and no later than each January 2 and June 1, to each local taxing agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;
- (ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments (and amounts required to replenish the related reserve funds, if any) scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;
- (iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and
- (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity’s share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under any Tax Sharing Agreements and Statutory Tax Sharing to the Taxing Agencies on each January 2 and June 1 before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund, unless: (i) pass-through payment obligations have been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded to by the Successor Agency; (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the applicable January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency’s enforceable obligations, pass-through payments and the Successor Agency’s administrative cost allowance for the applicable Recognized Obligation Payment Schedule period; and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes.

If the requirements set forth in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed on the applicable January 2 or June 1 property tax distribution date (as adjusted for weekends and holidays). To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency’s

enforceable obligations, pass-through payments and the Successor Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable Recognized Obligation Payment Schedule period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under subordinated Tax Sharing Agreements, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Dissolution Act provides for a procedure by which the Successor Agency may make the payment of Statutory Tax Sharing Amounts subordinate to the 2025B Bonds. The Successor Agency had not previously undertaken proceedings to subordinate such payments to the 2016 Bonds or any Parity Bonds, nor will it undertake such procedure with respect to the 2025B Bonds, and therefore, Statutory Tax Sharing Amounts are not subordinate to the 2025B Bonds. See "FINANCIAL INFORMATION" for additional information regarding the Statutory Tax Sharing Amounts applicable to the Successor Agency and the revenues derived from the Redevelopment Project. However, the County has agreed to continue the subordination of the amount payable pursuant to the County Resolution, described under the heading "FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes."

Recognized Obligation Payment Schedules

Enforceable Obligations. The Dissolution Act requires successor agencies to prepare and approve and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund and from the county. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Covenants of the Successor Agency"). The Successor Agency has covenanted to request such reserves as described below.

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board). Other than amounts deposited in the Redevelopment Property Tax Trust Fund and amounts held in funds and accounts under the Indenture, the Successor Agency does not expect to have any other funds available to pay the 2025B Bonds.

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule.

Required Approvals. As provided in SB 107, the Recognized Obligation Payment Schedule, with respect to each Fiscal Year, and segregated into each six-month period beginning July 1 and January 1, must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Auditor-Controller, the DOF, and the State Controller by each February 1. The Dissolution Act contains certain penalties in the event the Successor Agency does not timely submit a Recognized Obligation Payment Schedule for a Fiscal Year. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadline, the County will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency's administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 10th day after the February 1 deadline with respect to a Recognized Obligation Payment Schedule for the subsequent annual period.

Successor agencies that have received a Finding of Completion and the concurrence of the DOF as to the items that qualify for payment, among other conditions, may at their option, file a "Last and Final" Recognized Obligation Payment Schedule. If approved by the DOF, the Last and Final Recognized Obligation Payment Schedule will be binding on all parties, and the Successor Agency will no longer submit a Recognized Obligation Payment Schedule to the DOF or the Oversight Board. The County Auditor-Controller will remit the authorized funds to the Successor Agency in accordance with the approved Last and Final Recognized Obligation Payment Schedule until each remaining enforceable obligation has been fully paid.

A Last and Final Recognized Obligation Payment Schedule may only be amended twice, and only with approval of the DOF and the County Auditor-Controller. The Successor Agency may submit a Last and Final Recognized Obligation Payment Schedule to the DOF but has covenanted in the Indenture to not do so without the consent of any bond insurer insuring the payment of principal and interest on the outstanding bonds issued by the Successor Agency.

Determination of Available Funding. In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed, and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the DOF no later than April 1 and October 1 of each year, as applicable.

If, after receiving such estimate from the County Auditor-Controller, the Successor Agency determines and reports, no later than December 1 or May 1, as applicable, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, the Successor Agency's enforceable obligations listed on the Recognized Obligation Payment Schedule, and the Successor Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the DOF no later than 10 days from the date of the Successor Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under "Redevelopment Property Tax Trust Fund" above.

Debt Service. In the Indenture, the Successor Agency covenants to comply with all of the requirements of the Dissolution Act, including taking all actions required under the Dissolution Act to prepare and file Recognized Obligation Payment Schedules for each Fiscal Year so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Successor Agency to pay timely principal of, and interest on, the 2025B Bonds, all Parity Bonds and any Parity Debt coming due in such

Bond Year, including any amounts due and owing to the Insurer in respect of the 2025B Reserve Policy, or required to replenish the Reserve Account, and the respective reserve accounts established for the Parity Bonds or any Parity Debt.

Pursuant to the Indenture, without limiting the generality of the foregoing covenant, the Successor Agency will take all actions required under the Dissolution Act to file a Recognized Obligation Payment Schedule by February 1 in each year, commencing February 1, 2026, in accordance with Section 34177(O) of the Redevelopment Law. For the semiannual period ending each June 30, the Recognized Obligation Payment Schedule which includes such period shall request the payment to the Successor Agency of an amount of Tax Revenues which is at least equal to the following:

- (a) 100% of the amount of interest on the 2025B Bonds, the Parity Bonds and any Parity Debt coming due and payable on the next succeeding March 1 and September 1;
- (b) up to 100% of the amount of principal on the 2025B Bonds, the Parity Bonds and any Parity Debt coming due and payable on the next succeeding September 1, limited only by the amount of the expected deposit to the Redevelopment Property Tax Trust Fund;
- (c) any amount then required to replenish the full amount of the Reserve Requirement in the Reserve Account and to replenish the amount in any reserve account established for all outstanding Parity Bonds or Parity Debt, and
- (d) any amount then required to make payments due to the Insurer in respect of the Policy or the 2025B Reserve Policy or due to any other bond insurer.

For the semiannual period ending each December 31, the Recognized Obligation Payment Schedule which includes such period shall request the payment to the Successor Agency of an amount of Tax Revenues which is at least equal to the following:

- (a) the remaining principal due on the 2025B Bonds, the Parity Bonds and any Parity Debt coming due and payable on the next succeeding September 1, and not received or reserved in the period ending June 30; and
- (b) reserves and amounts due to any bond insurer as described under (d) above.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period (or otherwise) to pay the principal of and interest on the 2025B Bonds. See “RISK FACTORS.”

Pledge of Tax Revenues

The 2025B Bonds shall be secured by a pledge of, security interest in and lien on all of the Tax Revenues on a parity with the Parity Bonds and any Parity Debt and all of the moneys in the Special Fund of the Redevelopment Obligation Retirement Fund established and held by the Successor Agency pursuant to the Dissolution Act on a parity with the Parity Bonds and any Parity Debt. In addition, the 2025B Bonds shall be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account held under the Indenture without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery.

The Tax Revenues are pledged to the payment of principal of and interest on the 2025B Bonds pursuant to the Indenture until the 2025B Bonds have been paid, or until moneys have been set-aside irrevocably for that purpose. The Trustee will covenant to exercise such rights and remedies as may be necessary to enforce

the payment of the Tax Revenues when due under the Indenture, and otherwise to protect the interests of the 2025B Bondholders in the event of default by the Successor Agency.

The 2025B Bonds are special obligations of the Successor Agency. The 2025B Bonds do not constitute a debt or liability of the County, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the 2025B Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the County, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the 2025B Bonds. The Successor Agency has no taxing power.

The State Legislature has amended the Dissolution Act several times. The Successor Agency expects, but cannot guarantee, that the processes for funding of enforceable obligations prescribed by any new legislative change in the Dissolution Act will not interfere with its administering of the Tax Revenues in accordance with the Indenture and will effectively result in adequate Tax Revenues for the timely payment of principal of and interest on the 2025B Bonds when due.

Redevelopment Obligation Retirement Fund; Special Fund; Deposit of Tax Revenues

The Successor Agency has established a Redevelopment Obligation Retirement Fund in accordance with the Dissolution Act. The Former Agency established a "Special Fund" for deposit of Tax Revenues when received, and the Special Fund is continued under the Indenture within the Redevelopment Obligation Retirement Fund. The Successor Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account of the Debt Service Fund (as described below) in such Bond Year pursuant to the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in the Parity Bonds Indentures, or with respect to Parity Debt, as provided in any Supplemental Indenture.

If the amount of Tax Revenues available in such Bond Year is insufficient to deposit the full amount required to be deposited in the Special Fund pursuant to the paragraph above, then the Successor Agency shall transfer such Tax Revenues to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account for the 2025B Bonds in such Bond Year and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in the Parity Bonds Indentures, or with respect to Parity Debt, as provided in any Supplemental Indenture, ratably based on the full amounts required to be deposited without preference or priority for series as further described in "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Events of Default and Remedies."

All Tax Revenues received by the Successor Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year shall be released from the pledge and lien of the Indenture and Parity Bonds Indentures for the security of the 2025B Bonds and Parity Bonds and shall be deposited and applied by the Successor Agency for any lawful purposes of the Successor Agency. However, Tax Revenues shall not be released from the pledge and lien which secures the 2025B Bonds unless no amounts are then due and owing to the Insurer in respect of the Policy or the 2025B Reserve Policy, as defined herein.

Reserve Account

The Trustee, in its capacity as trustee for the Parity Bonds, has previously established separate reserve accounts (the “Parity Reserve Accounts”) which are held by the Trustee in trust for the benefit of the owners of the Parity Bonds. Under the Indenture, a separate Reserve Account will secure the 2025B Bonds. The amount required to be maintained in the Reserve Account and all Parity Reserve Accounts, the 2025B Bonds and any Parity Debt, as of any date of calculation, is generally an amount equal to the lesser of Maximum Annual Debt Service on such outstanding Parity Bonds, 2025B Bonds or Parity Debt, 10% of the initial principal amount of the Parity Bonds, 2025B Bonds or Parity Debt, 125% of average annual debt service or the amount permitted by the Tax Code as determined individually for each series of the 2025B Bonds and Parity Bonds when issued (the “Reserve Requirement”). Subject to certain rights of the Trustee, in the event that the amount on deposit with the Trustee to pay principal and interest due on the Parity Bonds and the 2025B Bonds is less than the full amount required for such purpose on the date due, the Trustee will withdraw from the Reserve Account and all Parity Bonds Reserve Accounts on a proportionate basis, and transfer to the Interest Account and the Principal Account, as required, the difference between the amount required to be on deposit in any or all of those accounts and the amount available on such date.

Reserve Policy. The Indenture provides that in lieu of a cash deposit, the Successor Agency may satisfy all or a portion of the Reserve Requirement by means of a Qualified Reserve Account Credit Instrument (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” herein).

In lieu of cash funding the Reserve Requirement for the 2025B Bonds, the Successor Agency has determined to purchase the 2025B Reserve Policy in an amount of \$_____. For information regarding the Insurer, see “MUNICIPAL BOND INSURANCE.” The 2025B Reserve Policy secures only the 2025B Bonds and does not secure the Parity Bonds.

With respect to the Reserve Requirement attributable to each series of Parity Bonds, the Former Agency or the Successor Agency has previously deposited Qualified Reserve Account Credit Instruments (the “Reserve Surety Bonds”) in each of the reserve accounts established for such Parity Bonds as follows:

<u>Parity Bond Issue</u>	<u>Face Amount</u>	<u>Provider</u>	<u>Maturity</u>
2007 Refunding Bonds	1,075,500.00	National Public Financial Guarantee Corp.	9/1/2030
2015 Series B Bonds	1,899,193.40	Assured Guaranty Inc.	9/1/2035
2017 Bonds	3,198,875.88	Assured Guaranty Inc.	9/1/2036
2025A Bonds	<u>4,707,500.00</u>	Assured Guaranty Inc.	9/1/2035
Total	\$10,881,069.28		

Reserve Account Withdrawals. In the event the Tax Revenues received by the Successor Agency in any year are insufficient to pay the principal of and interest on the outstanding Bonds and Parity Bonds coming due in such year, the amount of the insufficiency will be applied on a pro rata basis among all of the outstanding series of 2025B Bonds and Parity Bonds, which will result in a withdrawal of funds from each reserve account established for the 2025B Bonds and the respective series of Parity Bonds. If there is a draw on the 2025B Reserve Policy or on a Reserve Surety Bond to meet a debt service deficiency and if the provider of the 2025B Reserve Policy or such Reserve Surety Bond fails to perform under the respective Reserve Surety Bond, any pro rata shortfall may be paid from the remaining funds on deposit in the Reserve Account. However, the Reserve Surety Bond for any series of Parity Bonds is not available to pay debt service on any other series of bonds, including the 2025B Bonds and the 2025B Reserve Policy is only available to pay debt service on the 2025B Bonds.

Reserve Account Replenishment. If there is a draw on the 2025B Reserve Policy or on a Reserve Surety Bond to meet a debt service deficiency and if the provider of the 2025B Reserve Policy or such Reserve Surety Bond fails to perform under the respective Reserve Surety Bond, for reasons of bankruptcy of the provider or otherwise, such failure to perform will cause there to be a deficiency in the reserve requirement

previously satisfied by the 2025B Reserve Policy or such Reserve Surety Bond, as the case may be. Under the Indenture and the Parity Bonds Indentures, in the event that the amount on deposit in a reserve account is less than the applicable reserve requirement, the Successor Agency is required to transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the amount in such reserve account at the applicable reserve requirement. Should the amount of Tax Revenues then available to maintain the reserve account at the applicable reserve requirement be insufficient for such purpose, such insufficiency would not result in an event of default under the Indenture and the Parity Bonds Indentures, but the requirement of the Successor Agency to transfer available Tax Revenues to the Trustee would continue until satisfied.

In general, the Successor Agency would be required to request funding for replenishment of the reserve accounts for the 2025B Bonds and Parity Bonds by placing the requested amount on the next Recognized Obligation Payment Schedule as an enforceable obligation. Because of the time delay in filing a particular Recognized Obligation Payment Schedule and disbursement of funds to the Successor Agency on each January 2 and June 1, if funds are available, the timing of replenishment of any reserve account draw is likely to be delayed, even if there were potentially funds available in the Redevelopment Property Tax Trust Fund held by the County Auditor-Controller.

No Additional Debt Other Than Refunding Bonds

So long as the 2025B Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only as provided in the Indenture and only for refunding purposes authorized in the Dissolution Act and in compliance with the requirements of the Dissolution Act (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds.”

In addition to the 2025B Bonds, all series of the Parity Bonds and any Parity Debt, from time to time the Successor Agency may issue or incur Subordinate Debt in such principal amount as may be determined by the Successor Agency, provided that the Successor Agency is in compliance with all covenants set forth in the Indenture and the Parity Bonds Indentures, and the pledge of Tax Revenues to the payment of such subordinate obligations will not impair the ability of the Successor Agency to pay future annual Debt Service on the 2025B Bonds, the Parity Bonds, and any Parity Debt, but only for the purposes authorized in the Dissolution Act and in compliance with the requirements of the Dissolution Act.

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MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

Concurrently with the issuance of the 2025B Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the 2025B Bonds maturing on September 1 of the years ____ through ____, inclusive, with CUSIP #'s__ (collectively, the “Insured 2025B Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured 2025B Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured 2025B Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Insured 2025B Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured 2025B Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Insured 2025B Bonds, nor does it guarantee that the rating on the Insured 2025B Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

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

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at www.bambonds.com, is incorporated herein by reference and

may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Insured 2025B Bonds or the advisability of investing in the Insured 2025B Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “MUNICIPAL BOND INSURANCE.”

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of, or the municipal advisor or the underwriter for the 2025B Bonds, and the issuer, the municipal advisor and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2025B Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2025B Bonds, whether at the initial offering or otherwise.

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THE SUCCESSOR AGENCY

Government Organization

The Successor Agency was created as a result of the Dissolution Act (see “INTRODUCTION – The Successor Agency and the Former Agency” herein).

The County performs certain general administrative functions for the Successor Agency. The County Executive Officer serves as the Successor Agency’s Administrative Officer, the Clerk of the Board serves as the Successor Agency Clerk of the Board and the County Auditor-Controller-Treasurer-Tax Collector serves as the Successor Agency Treasurer. The costs of such functions, as well as additional services performed by County staff are allocated annually to the Successor Agency, within certain limitations established by the Dissolution Act. Such reimbursement is subordinate to any outstanding bonds, loans and other enforceable obligations of the Successor Agency.

Successor Agency Powers

All powers of the Successor Agency are vested in its five members, who are the elected members of the Board. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the County and succeeds to the organizational status of the Former Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Former Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Successor Agency actions are subject to approval by the Oversight Board, as well as review by the DOF. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Successor Agency and Oversight Board meetings open to the public in similar manner as Board meetings.

On April 26, 2013, the Successor Agency received its Finding of Completion from the DOF. Receipt of the Finding of Completion allowed the Successor Agency to do several things, among them, developing a plan for the disposition of any properties held by the Successor Agency and spending proceeds of bonds issued prior to December 31, 2010, all requiring approval of the Oversight Board.

After receiving the finding of completion, each successor agency was required to submit a Long Range Property Management Plan (a “Long Range Property Management Plan”) detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. The DOF approved the Successor Agency’s Long Range Property Management Plan on August 20, 2014. The Successor Agency currently has 3 remaining properties to be disposed of.

Redevelopment Plan

The Board approved and adopted the Redevelopment Plan for the Live Oak/Soquel Community Improvement Project Area on May 12, 1987, pursuant to Ordinance No. 3836. It was subsequently amended on March 22, 1994 to add limitations prescribed by Assembly Bill 1290, on May 25, 1999 to amend financial provisions in accordance with Assembly Bill 1342 and on January 14, 2003 to eliminate certain financial limitations pursuant to Senate Bill 211.

Amendments to certain plan limitations were allowed by AB 1290 so long as, among other things, agencies made payments to the Taxing Agencies pursuant to the Tax Sharing Statutes. See “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes.” The Former Agency’s amendment to the Redevelopment Plan pursuant to SB 211 triggered required payments to the Taxing Agencies pursuant to the Tax Sharing Statutes commencing in Fiscal Year 2007-08. Such required payments (the Statutory

Tax Sharing Amounts) are senior in right of payment to the 2025B Bonds and the Parity Bonds and are reflected in the projections of Tax Revenues herein. See “FINANCIAL INFORMATION - Projected Tax Revenues and Debt Service Coverage.”

Plan Limitations

In accordance with the Redevelopment Law, redevelopment plans were required to include certain limits on the financing of redevelopment projects. These limits could include a time limit on the life of the redevelopment plan, a time limit to incur debt, a time limit on the receipt of Tax Increment Revenues and the repayment of debt, and a limit on the amount of bonded indebtedness outstanding at any time. SB 107 clarifies that the former tax increment limits in redevelopment plans no longer apply for purposes of paying approved enforceable obligations such as the 2025B Bonds and the Parity Bonds.

THE REDEVELOPMENT PROJECT

Description of the Redevelopment Project

The Redevelopment Project is an area of approximately 3,760 acres, and encompasses over 14,200 parcels. The Redevelopment Project has approximately 3 miles of coastline. It is comprised of all of the unincorporated urbanized area of the Live Oak and Soquel planning areas in Santa Cruz County. The Redevelopment Project is situated between the cities of Santa Cruz and Capitola. It is primarily developed with residential uses with commercial development along Highway 1 and other major circulation corridors and in Soquel Village.

<u>Land Use</u>	<u>% of Zoning</u>	<u>Approximate Acres</u>
Residential	65%	2,445
Commercial/Industrial	12	450
Public and Special Use	<u>23</u>	<u>865</u>
	100%	3,760

As shown below, residential development comprises over 86% of total current assessed value of the Redevelopment Project.

<u>Land Use</u>	<u>% of 2024-25 Assessed Value</u>
Residential	86.1%
Commercial	7.0
Industrial	2.3
Other/Unsecured	<u>4.6</u>
	100.0%

The largest commercial developments in the Redevelopment Project include a shopping center with a Home Depot and Best Buy electronics store, and a Safeway grocery store.

Sutter Hospital’s Maternity and Surgery Center and Dominican Hospital, a member of Dignity Health, are also located in the Redevelopment Project. Due to the location of Sutter Hospital, Palo Alto Medical Foundation, a Sutter Health affiliate, has a number of specialized medical offices near the hospital.

The Successor Agency owns approximately 8.3 acres of commercial property in Live Oak that will be sold as part of the dissolution process.

There are very few vacant sites in the Redevelopment Project and most of the remaining properties represent opportunity for infill development only, such as mixed use commercial/condo projects and smaller retail

and office developments. The County's Housing Element was approved in 2023. The County identified 75 infill parcels, mostly in the Redevelopment Project, that would require rezoning to allow for higher density residential projects to meet the County's required Regional Housing Needs Allocation. Rezoning of 27 parcels occurred in December 2024, with the remaining 43 parcels rezoned in May 2025. Within parcels rezoned in 2025, seven properties are in the coastal zone and pending Coastal Commission certification.

Assessed Valuations and Tax Revenues

Historical assessed value and Tax Revenues are shown in the table below.

TABLE NO. 1
SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY
LIVE OAK/SOQUEL COMMUNITY IMPROVEMENT PROJECT AREA
HISTORICAL ASSESSED VALUATIONS AND TAX REVENUES

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
Secured	\$6,903,332,815	\$7,292,959,193	\$7,652,888,917	\$8,014,384,591	\$8,617,672,128
Unsecured	<u>88,232,871</u>	<u>105,721,359</u>	<u>120,173,195</u>	<u>120,931,355</u>	<u>120,406,001</u>
Total	6,991,565,686	7,398,680,552	7,773,062,112	8,135,315,946	8,738,078,129
Less: Base year	<u>(962,902,777)</u>	<u>(962,902,777)</u>	<u>(962,902,777)</u>	<u>(962,902,777)</u>	<u>(962,902,777)</u>
Incremental Increase	\$6,028,662,909	\$6,435,777,775	\$6,810,159,335	\$7,172,413,169	\$7,775,175,352
Change in Total Value		5.8%	5.1%	4.7%	7.4%
Change in Incremental Value		6.8%	5.8%	5.3%	8.4%
Incremental Value	\$6,028,662,909	\$6,435,777,775	\$6,810,159,335	\$7,172,413,169	\$7,775,175,352
Tax Rate	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
Tax Increment Revenues	\$ 60,286,629	\$ 64,357,778	\$ 68,101,593	\$ 71,724,132	\$ 77,751,754
Unitary Revenues	<u>152,979</u>	<u>167,543</u>	<u>211,776</u>	<u>260,207</u>	<u>265,000⁽⁴⁾</u>
Total Revenues ⁽¹⁾	\$ 60,439,608	\$ 64,525,321	\$ 68,313,369	\$ 71,984,339	\$ 78,016,754 ⁽⁴⁾
Available RPTTF ⁽²⁾	\$ 62,471,871	\$ 66,702,413	\$ 70,406,708	\$ 74,452,190 ⁽³⁾	

(1) Based on the Equalized tax roll without regard to the RPTTF distribution dates; does not include supplemental taxes; before tax sharing and other deductions.

(2) The County Auditor-Controller distributes 50% of the current year's annual tax increment plus supplemental taxes collected to the Successor Agency on January 2, 45% of the current year's annual tax increment plus supplemental taxes collected on June 1, and the remaining 5% of the current year's annual tax increment plus any supplemental taxes is distributed to the Successor Agency on the following January 2.

(3) Includes \$1.9 million in supplemental taxes.

(4) Estimated.

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Deposits to the Redevelopment Property Tax Trust Fund are shown below.

TABLE NO. 2
REDEVELOPMENT PROPERTY TAX TRUST FUND DEPOSITS

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
January RPTTF Deposit	\$32,861,822	\$34,716,600	\$37,564,545	\$39,901,639	\$41,668,236
June RPTTF Deposit	<u>26,299,037</u>	<u>27,755,271</u>	<u>29,137,868</u>	<u>30,505,069</u>	<u>32,783,954</u>
Gross RPTTF Deposits	59,160,859	62,471,871	66,702,413	70,406,708	74,452,190
County Administrative Fees	(476,297)	(419,856)	(432,626)	(433,342)	(541,951)
Tax Sharing Agreements ⁽¹⁾	(20,795,281)	(22,109,042)	(23,540,297)	(24,436,980)	(26,343,671)
Statutory Tax Sharing	<u>(5,502,915)</u>	<u>(6,157,677)</u>	<u>(7,245,887)</u>	<u>(8,066,790)</u>	<u>(9,260,234)</u>
RPTTF Available	\$32,386,366	\$33,785,296	\$35,483,603	\$37,469,596	\$38,306,334
Subordinate County Tax Sharing ⁽²⁾	<u>1,978,277</u>	<u>2,095,041</u>	<u>2,193,669</u>	<u>2,189,829</u>	<u>2,374,998</u>
Tax Revenues	\$34,364,643	\$35,880,337	\$37,677,272	\$39,659,425	\$40,681,331

⁽¹⁾ Includes Section 33676 Inflationary Tax Sharing.

⁽²⁾ County's share of Section 33676 Inflationary Tax Sharing that has been subordinated to the 2025B Bonds and Parity Bonds.

Source: Santa Cruz County Auditor-Controller.

Major Taxpayers

The ten largest property taxpayers represent 2.30% of the 2024-25 assessed value of the Redevelopment Project.

TABLE NO. 3
TEN LARGEST TAXPAYERS AS A PERCENT OF 2024-25 ASSESSED VALUE

<u>Taxpayer</u>	<u>2024-25</u> <u>Total</u> <u>Assessed</u> <u>Value</u>	<u>% of</u> <u>Total</u> <u>Assessed</u> <u>Value</u>
Home Depot USA	\$ 25,512,698	0.31%
Sutter Bay Medical Foundation	25,345,103	0.31
Safeway, Inc.	24,765,859	0.30
TKG-StorageMart Partners	21,220,519	0.26
Cappo Properties	16,837,453	0.21
RTP Commercial Way LLC	16,740,504	0.21
Antonelli HOA	15,645,618	0.19
Cliffwood Estates Inc.	13,721,807	0.17
Sher-E-Punjab Inc.	13,542,901	0.17
LN Real Estate LLC	<u>13,461,781</u>	<u>0.17</u>
Total	\$186,794,243	2.30%

Source: Successor Agency.

Assessment Appeals

As of December 2024, the Clerk of the Board reported the following appeals filed and appeals pending County-wide:

<u>Tax Roll</u>	<u>Appeals Filed</u>	<u>Appeals Pending</u>
2023-24	200	35
2022-23	152	1
2021-22	230	-
2020-21	236	-
2019-20	172	-

The Clerk of the Board also reported the following regarding appeals filed County-wide between 2019-20 and 2023-24:

Appeals filed	990 ⁽¹⁾
Appeals granted/stipulated	26.3%
Appeals withdrawn	60.5%
Appeals denied	9.1%

⁽¹⁾ Includes 111 filings returned due to deficiencies or untimely submission.

While the Successor Agency expects some decline in total assessed valuation relating to pending or potential future appeals, no prediction can be made by the Successor Agency, the County Assessor or the Clerk of the Board as to the number of appeals that may be filed in the future, or the decline in total assessed valuation, if any for pending or future appeals. Reductions in revenue for refunds resulting from successful appeals or current or prior year appeals have not been incorporated into the projections. Further, the success rate of appeals, reductions granted and refunds may vary from historical averages.

Tax Collections

The County has adopted the “Teeter Plan” method of distributing property taxes to taxing agencies, including redevelopment agencies. Under this method, the Successor Agency receives 100% of its tax increment without regard to delinquencies.

Under the statute creating the Teeter Plan, the Board of Supervisors of the County could under certain circumstances terminate the Teeter Plan in its entirety or terminate the Teeter Plan as to the Successor Agency. In such event, the collection of Tax Revenues would be subject to the risk of delinquencies but the Successor Agency would receive late charges and penalty revenues once the delinquent taxes were paid.

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FINANCIAL INFORMATION

Successor Agency Accounting Records and Financial Statements

The activities of the Successor Agency are reported as a fiduciary trust fund, which is in accordance with guidance issued by the DOF on September 19, 2012 and available on its website relating to redevelopment dissolution (www.dof.ca.gov/redevelopment) under the category of “Common RDA Dissolution Questions and Answers,” interpreting Section 34177(n) of the Law concerning certain successor agency postaudit obligations. The Successor Agency currently prepares separate financial statements but is not required to and may not do so in future years. The DOF’s website is not in any way incorporated into this Official Statement, and the Successor Agency cannot take any responsibility for, nor make any representation whatsoever as to, the continued accuracy of the Internet address or the accuracy, completeness, or timeliness of information posted there. In addition, from time to time, the DOF changes its guidance without notice.

The Successor Agency’s financial statements for the Fiscal Year ended June 30, 2024, attached hereto as “APPENDIX C” have been audited by Brown Armstrong Certified Public Accountants, Bakersfield, California. The Successor Agency’s audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor.

Property Taxation in California

Manner in Which Property Valuations and Assessments are Determined (Article XIII A). On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution which imposes certain limitations on taxes that may be levied against real property. This amendment, which added Article XIII A to the State Constitution, among other things, defines full cash value of property 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.” This full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by substantial damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value of that property, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on any bonded indebtedness for the acquisition or improvement of real property which is approved after July 1, 1978 by two-thirds of the votes cast by voters voting on such indebtedness. However, pursuant to an amendment to the State Constitution, redevelopment agencies were prohibited from receiving any of the tax increment revenue attributable to tax rates levied to finance bonds approved by the voters on or after January 1, 1989 for the acquisition or improvement of real property. Moreover, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from such prohibitions and SB 107 further states that pre-1989 tax override rates are no longer distributed to successor agencies except in limited circumstances (see “SECURITY FOR THE 2025B BONDS - Tax Revenues,” “Property Tax Rate” below and “RISK FACTORS - Factors Which May Affect Tax Revenues - Reduction in Inflationary Rate”).

In the general election held November 4, 1986, voters in the State approved two measures, Propositions 58 and 60, which further amend the terms “purchase” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county (or in certain cases, another county), to transfer the old residence’s assessed value to the new residence.

On November 3, 2020, voters in the State approved Proposition 19 providing for intergenerational exclusions and base year value transfers. Proposition 19 allows:

- transfers of a family home or family farm between parents and their children without causing a change in ownership for property tax purposes;
- transfers of a family home or family farm between grandparents and their grandchildren under limited conditions without causing a change in ownership for property tax purposes;
- allows homeowners who are age 55 or older, or severely and permanently disabled of any age, to transfer the “taxable value” of their principal residence to a replacement property up to three times anywhere in the state; and
- victims of a wildfire or natural disaster to transfer the taxable value of their primary residence to a replacement residence anywhere in the state, if the original property was substantially damaged or destroyed from a wildfire or Governor declared disaster, with over half of the market or improvement value diminished, to be considered “substantially damaged.”

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide, and such methodology has been upheld by the California courts. The current number of parcels subject to Proposition 8 adjustments is a minor amount.

Unsecured and Secured Property. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property, arising pursuant to State law, has priority over all other liens on the secured property, regardless of the time of the creation of the other liens.

Property in the Redevelopment Project is assessed by the Santa Cruz County Assessor except for public utility property which is assessed by the State Board of Equalization.

The valuation of secured property is determined as of January 1 each year for taxes owed with respect to the succeeding Fiscal Year. The tax rate is equalized during the following September of each year, at which time the tax rate is determined. Secured and unsecured property is entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a \$20 cost on the second installment. On July 1 of each fiscal year any property which is delinquent will become defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption, together with any other charges permitted by law. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Property taxes on the unsecured roll become delinquent if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1½% per month begins to

accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental Assessments. Legislation adopted in 1984 (Section 75, *et seq.* of the Revenue and Taxation Code of the State of California) provides for the supplemental assessment and taxation of property at its full cash value as of the date of a change of ownership or the date of completion of new construction (the "Supplemental Assessments"). To determine the amount of the Supplemental Assessment the County Auditor-Controller applies the current year's tax rate to the supplemental assessment roll and computes the amount of taxes that would be due for the full year. The taxes due are then adjusted by a proration factor to reflect the portion of the tax year remaining as determined by the date on which the change in ownership occurred or the new construction was completed. Supplemental Assessments become a lien against the real property on the date of the change of ownership or completion of new construction.

Unitary Property. Commencing in the 1988-89 Fiscal Year, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed value according to the location of those values in individual tax rate areas.

Commencing with the 1988-89 Fiscal Year, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property ("Unitary Revenues").

The property tax revenue derived from the assessed value assigned to the county-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction's Unitary Revenues received in the prior year to the total Unitary Revenues county-wide.

Legislation adopted in 2006 (SB 1317, Chapter 872) provides that, commencing with Fiscal Year 2007-08, certain property related to new electrical facilities shall be allocated entirely to the county in which such property is located and property tax revenues derived from such property shall be allocated to such county and certain Taxing Agencies with such county.

Property Tax Rate. The difference between the \$1.00 general tax levy provided under Article XIII A tax rate and those actually levied (referred to as the "tax override rate") represents the tax levied by overlapping entities to pay debt service on bonded indebtedness approved by the voters.

Section 34183 of the Dissolution Act effectively eliminated the tax override rate from the calculation of tax increment revenues with respect to tax override rates authorized by voters for the purpose of repaying bonded indebtedness for the acquisition or improvement of real property. Future Tax Increment Revenues have been projected by applying a tax rate of \$1.00 per \$100 of taxable value general levy to incremental taxable values.

Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559

amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2024-25, the County administrative fees charged to the Redevelopment Project including administration of the Redevelopment Property Tax Trust Fund were \$541,951. In total, the fees represent approximately 0.75% of gross tax increment revenues for Fiscal Year 2024-25, excluding supplemental taxes.

Tax Sharing Agreements and Tax Sharing Statutes

Tax Sharing Agreements

Pursuant to prior Section 33401(b) of the Redevelopment Law, a redevelopment agency was authorized to enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project to alleviate any financial burden or detriment caused by the redevelopment project. These agreements are commonly referred to as “tax sharing agreements” or “pass-through agreements.”

The Former Agency entered into tax sharing agreements (the “Tax Sharing Agreements”) with certain affected Taxing Agencies, which in total, provide for the payment of such Taxing Agencies’ share of the general tax levy (currently 23.75% of annual Tax Increment Revenues) to these Taxing Agencies. Payment of the amounts due under these Tax Sharing Agreements are senior in priority to the 2025B Bonds and Parity Bonds. The allocation to the individual Taxing Agencies is made in the following manner:

County of Santa Cruz Library Fund	2.90%
County Service Area 11	0.27
County Flood Control and Water Conservation District (Zone 4)	0.23
County Flood Control and Water Conservation District (Zone 5)	0.85
County Flood Control and Water Conservation District	0.19
County Fire Protection District (Capitola/Central)	<u>19.31</u>
	23.75%

In April 2009, the Former Agency amended the Tax Sharing Agreements to clarify that the Tax Increment Revenues upon which the percentages were to be applied include amounts payable under former Section 33676 of the Redevelopment Law.

Section 33676. Pursuant to former Section 33676 of the Redevelopment Law, any affected Taxing Agency that had not entered into a tax sharing agreement with the redevelopment agency prior to the adoption of a redevelopment plan could elect, by resolution, to receive the portion of Tax Increment Revenues attributed to one or both of the following:

- (a) Increases in the rate of tax imposed for the benefit of the Taxing Agency which levy occurred after the tax year in which the ordinance adopting the redevelopment plan became effective; and
- (b) If a redevelopment agency pursuant to Section 33354.5 amended a redevelopment plan which did not utilize tax increment financing to add tax increment financing, and pursuant to subdivision (a) of Section 33670 used the assessment roll last equalized prior to the effective date of the ordinance originally adopting the redevelopment plan, an affected Taxing Agency could elect to be allocated all or any portion of the tax revenues allocated to the redevelopment agency pursuant to subdivision (b) of Section 33670 which the affected Taxing Agency would receive if the redevelopment agency were to use the assessment roll last equalized prior to the effective date of the ordinance amending the redevelopment plan to add tax increment financing.

County Election. The County of Santa Cruz, by Resolution 330-87 (the “County Resolution,”) elected to receive Tax Increment Revenues attributable to both (a) and (b) above with respect to the County general fund share of Tax Increment Revenue. The County Resolution has been amended from time to time to subordinate any amounts due to the County by reason of the County Resolution to the pledge of Tax Increment Revenues under the Parity Bonds Indentures and the Indenture for the 2025B Bonds to the extent required for the payment thereof. While the Successor Agency does not anticipate that it will require any of the amounts payable to the County pursuant to the County Resolution, such amounts are, however, included in the pledge of the Tax Revenues to the repayment of the Parity Bonds and the 2025B Bonds. Tax Revenues pledged to the repayment of the 2025B Bonds and the Parity Bonds, with this exception as noted, do not include amounts payable pursuant to the Tax Sharing Agreements.

School District Election. Commencing in 1984, Section 33676 was amended to require every school district and community college district to also make such election by resolution; however, the governing bodies of the school districts and community college district within the boundaries of the Redevelopment Project did not take the actions required to comply with the provisions of Section 33676 at the time the Redevelopment Project was formed. In a similar circumstance, on March 27, 2000, in *Santa Ana Unified School District vs. Orange County Development Agency*, the Orange County Superior Court found that the election was deemed to be automatic even though the Santa Ana Unified School District had failed to timely adopt a resolution to make the election pursuant to Section 33676. On July 28, 2000, the Orange County Development Agency appealed such decision to the California Court of Appeal and the case was ultimately decided in favor of the Santa Ana Unified School District. In 2002-03, the Former Agency began paying that portion of Tax Increment Revenues calculated pursuant to the former Section 33676 to affected school districts in the Redevelopment Project, the Santa Cruz County Office of Education, and the Cabrillo College District (the “School District Election Amount”). The base year used for the purpose of the calculation of inflationary growth under 33670(b) is 2001-02. Combined, all districts are allocated 50.3% of such inflationary growth. Tax Revenues pledged to the repayment of the 2025B Bonds and the Parity Bonds do not include amounts payable to such districts.

Tax Sharing Statutes

Certain provisions were added to the Redevelopment Law by the adoption of AB 1290 in 1994. If new territory was added to a redevelopment project, under Section 33607.5 of the Redevelopment Law, any affected taxing entity would share in the Tax Increment Revenues generated by such added area pursuant to a statutory formula (“Statutory Tax Sharing Amounts”).

In addition, pursuant to Section 33333.6(e)(2) of the Redevelopment Law, if the Former Agency deleted the time limit to incur indebtedness in a redevelopment project (as amended pursuant to SB 211) or increased the total amount of Tax Increment Revenues to be allocated to the project area or increased the duration of the Redevelopment Plan and the period for receipt of Tax Increment Revenues, Statutory Tax Sharing is required under Section 33607.7 of the Redevelopment Law with all affected taxing entities not already a party to a tax sharing agreement, once the original limitations have been reached.

In general, the Statutory Tax Sharing Amounts are calculated as follows:

- (a) commencing in the first Fiscal Year after the limitation has been reached, an amount equal to 25% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the Fiscal Year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;
- (b) in addition to amounts payable as described in (a) above, commencing in the 11th Fiscal Year after the limitation has been reached, an amount equal to 21% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the

preceding 10th Fiscal Year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted; and

- (c) in addition to amounts payable as described in (a) and (b) above, commencing in the 31st Fiscal Year after the limitation has been reached, an amount equal to 14% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 30th Fiscal Year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.
- (d) The County may elect to receive a portion of the tax increment generated in (a) above, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.
- (e) The Successor Agency may subordinate the amount required to be paid to an affected Taxing Agency to any indebtedness after receiving the consent of the Taxing Agency.

Because the Former Agency eliminated the time limit to incur indebtedness with respect to the Redevelopment Project, statutory tax sharing is required under Section 33607.7 of the Redevelopment Law with all affected Taxing Agencies, and commenced in Fiscal Year 2007-08. The additional Statutory Tax Sharing Amounts described in (b) above began in 2017-18. The County has elected to receive its portion of the tax increment revenue as described in (d) above.

The Dissolution Act provides for a procedure by which the Successor Agency may make Statutory Tax Sharing amounts subordinate to the 2025B Bonds. The Former Agency and Successor Agency had not previously undertaken proceedings to subordinate such payments to the Parity Bonds, nor will the Successor Agency undertake such procedure with respect to the 2025B Bonds.

Since dissolution, the County Auditor-Controller calculates and pays the Tax Sharing Agreement amounts, the County Election Amount, the School District Election Amount and the Statutory Tax Sharing Amounts. With the exception of the County Election Amount, these amounts are payable from tax increment revenue deposited in the Redevelopment Property Tax Trust Fund senior to the 2025B Bonds and the Parity Bonds.

Outstanding Indebtedness

Other than the 2025B Bonds, after refunding the 2016A Bonds, the Successor Agency will have the following outstanding bonded debt:

- \$5,640,000 par amount of the 2007 Bonds, maturing on September 1, 2030.
- \$14,310,000 par amount of the 2015B Bonds, maturing on September 1, 2035.
- \$21,240,000 par amount of the 2017 Bonds, maturing on September 1, 2036.
- \$47,075,000 par amount of the 2025A Bonds maturing September 1, 2035.

The Successor Agency has no other enforceable obligations payable from amounts deposited in the Redevelopment Obligation Retirement Fund except for administrative costs of staff, bond administration fees and costs relating to property management for properties still owned by the Successor Agency. These enforceable obligations are payable on a basis subordinate to the 2025B Bonds and the Parity Bonds.

Flow of Funds

Under the Indenture, in the Recognized Obligation Payment Schedule period beginning January 2 of each year, the Successor Agency is required to request funding of 100% of the principal and interest due on the 2025B Bonds and the Parity Bonds in the calendar year.

Projected Tax Revenues and Debt Service Coverage

Receipt of projected Tax Revenues shown in Table No. 4 in the amounts and at the times projected depends on the realization of certain assumptions relating to the Tax Increment Revenues. The Municipal Advisor has projected taxable valuation and Tax Revenues in the Redevelopment Project. The Successor Agency believes the assumptions set forth below upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “RISK FACTORS”). Therefore, the actual Tax Revenues received during the forecast period may vary from the projections and the variations may be material, affecting the Successor Agency’s ability to timely pay principal of and interest on the 2025B Bonds.

Following is a discussion of assumptions used in the projection of Tax Revenues:

- (a) The 2025-26 secured roll was increased by 2% annually for inflation in future years.
- (b) The values of unsecured personal property have been maintained throughout the projections at the 2025-26 unsecured roll value.
- (c) The amount of unitary revenues has been maintained throughout the projections at the 2025-26 estimated amount of \$265,000.
- (d) For the purposes of the projections, it was assumed that no additional assessed value would be added to the tax rolls as a result of new construction or property sales at higher values.
- (e) No potential future Proposition 8 adjustments or potential reductions in value as a result of pending assessment appeals are reflected in the projections.
- (f) A tax rate of \$1.00 per \$100 of assessed value applied to the taxable property in the Redevelopment Project was used to determine Tax Increment Revenues.
- (g) Projected Tax Revenues do not reflect supplemental property taxes.
- (h) Projected Tax Revenues include a deduction for administrative costs charged by Santa Cruz County.
- (i) Projected Tax Revenues include a deduction for payments due to Taxing Agencies under Tax Sharing Agreements, Section 33676 or applicable Tax Sharing Statutes, with the exception of the County Election amount.

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TABLE NO. 4
SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY
PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE

Bond Year	Gross Tax	Schools Election	County Election	County Admin	Tax Increment	Tax Sharing	Subordinate			Debt Service			
							County Election	Statutory Tax	Tax	Parity	2025B	Total*	Coverage*
<u>Sept 1</u>	<u>Increment</u>	<u>Amount</u>	<u>Amount</u>	<u>Charges</u>	<u>Allocated</u>	<u>Agreements</u>	<u>Adjustment</u>	<u>Sharing</u>	<u>Revenues</u>	<u>Bonds</u>	<u>Bonds*</u>		
2026	\$78,017,000	\$(6,846,000)	\$(2,352,000)	\$(585,000)	\$68,234,000	\$(18,529,000)	\$2,352,000	\$(11,414,000)	\$40,643,000	\$11,601,362	\$3,367,000	\$14,968,362	272%
2027	79,740,000	(7,242,000)	(2,446,000)	(598,000)	69,454,000	(18,938,000)	2,446,000	(11,898,000)	41,064,000	11,594,169	3,114,000	14,708,169	279%
2028	81,498,000	(7,646,000)	(2,541,000)	(611,000)	70,700,000	(19,356,000)	2,541,000	(12,391,000)	41,494,000	10,481,872	4,537,000	15,018,872	276%
2029	83,291,000	(8,058,000)	(2,638,000)	(625,000)	71,970,000	(19,782,000)	2,638,000	(12,894,000)	41,932,000	10,471,566	4,495,000	14,966,566	280%
2030	85,120,000	(8,479,000)	(2,738,000)	(638,000)	73,265,000	(20,216,000)	2,738,000	(13,407,000)	42,380,000	10,478,763	4,488,000	14,966,763	283%
2031	86,986,000	(8,908,000)	(2,839,000)	(652,000)	74,587,000	(20,659,000)	2,839,000	(13,931,000)	42,836,000	10,827,138	4,489,000	15,316,138	280%
2032	88,889,000	(9,345,000)	(2,942,000)	(667,000)	75,935,000	(21,111,000)	2,942,000	(14,465,000)	43,301,000	10,831,325	4,487,000	15,318,325	283%
2033	90,830,000	(9,791,000)	(3,048,000)	(681,000)	77,310,000	(21,572,000)	3,048,000	(15,009,000)	43,777,000	10,832,888	4,497,000	15,329,888	286%
2034	92,810,000	(10,246,000)	(3,155,000)	(696,000)	78,713,000	(22,042,000)	3,155,000	(15,565,000)	44,261,000	10,824,938	4,488,000	15,312,938	289%
2035	94,829,000	(10,710,000)	(3,265,000)	(711,000)	80,143,000	(22,522,000)	3,265,000	(16,132,000)	44,754,000	10,826,775	4,486,000	15,312,775	292%
2036	96,889,000	(11,183,000)	(3,377,000)	(727,000)	81,602,000	(23,011,000)	3,377,000	(16,709,000)	45,259,000	4,238,000	7,550,000	11,788,000	384%

Source: Municipal Advisor.

The projected Tax Revenues shown above are subject to several variables described herein. See “RISK FACTORS” herein. The Successor Agency provides no assurance that the projected Tax Revenues will be achieved.

* Preliminary, subject to change.

RISK FACTORS

The purchase of the 2025B Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the 2025B Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Factors Which May Affect Tax Revenues

The ability of the Successor Agency to pay principal of and interest on the 2025B Bonds depends on the timely receipt of Tax Revenues as projected herein (see “FINANCIAL INFORMATION - Projected Tax Revenues and Debt Service Coverage” herein). Projections of Tax Revenues are based on the underlying assumptions relating to Tax Increment Revenues of the Redevelopment Project. Tax Revenues allocated to the Successor Agency (which constitute the ultimate source of payment of principal of and interest on the 2025B Bonds, as discussed herein) are determined by the amount of incremental valuation of taxable property in the Redevelopment Project, taxed at a rate of \$1.00 per \$100 of assessed value (1%) and the percentage of taxes collected in the Redevelopment Project, adjusted to reflect prior claims on the Tax Increment Revenues. A number of factors which may affect Tax Increment Revenues, and consequently, Tax Revenues, are outlined below.

Reductions in Assessed Value. Tax Increment Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Redevelopment Project taxed at a rate of \$1.00 per \$100 of assessed value (1%). The reduction of taxable values of property in the Redevelopment Project caused by economic factors beyond the Successor Agency’s control, such as relocation out of the Redevelopment Project by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Tax Revenues that provide for the repayment of and secure the 2025B Bonds. Such reduction of Tax Revenues could have an adverse effect on the Successor Agency’s ability to make timely payments of principal of and interest on the 2025B Bonds.

Article XIII A. Pursuant to the California voter initiative process, on June 6, 1978, California voters approved Proposition 13 which added Article XIII A to the California Constitution. This amendment imposed certain limitations on taxes that may be levied against real property to 1% of the full cash value of the property, adjusted annually for inflation at a rate not exceeding 2% annually. Full cash value is determined as of the 1975-76 assessment year, upon change in ownership (acquisition) or when newly constructed (see “FINANCIAL INFORMATION - Property Taxation in California” herein for a more complete discussion of Article XIII A). Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and 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 and in other special circumstances.

Reduction in Inflationary Rate. The annual inflationary adjustment, while limited to 2%, is determined annually and may not exceed the percentage change in the California Consumer Price Index (CCPI).

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the CCPI used for purposes of the inflation factor, there was a decrease of 0.237% in 2009-10 – applied to the 2010-11 tax roll – reflecting the actual change in the CCPI, as reported by the DOF. For each fiscal year since Article XIII A has become effective (the 1978-79 fiscal year), the annual increase for inflation has been at least 2% except in ten fiscal years as shown on the following page:

<u>Tax Roll</u>	<u>Percentage</u>	<u>Tax Roll</u>	<u>Percentage</u>
1981-82	1.000%	2011-12	0.753%
1995-96	1.190	2014-15	0.454
1996-97	1.110	2015-16	1.998
1998-99	1.853	2016-17	1.525
2004-05	1.867	2021-22	1.036
2010-11	(0.237)		

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. This methodology has been approved by the Fourth District Court of Appeals in a case in which the California Supreme Court declined further review. See “FINANCIAL INFORMATION - Property Taxation in California - Proposition 8 Adjustments” herein.

If Proposition 8 adjustments are made by the County Assessor in future years because of declines in the fair market value of properties caused by the lack of real estate development in the area generally or other economic factors, Tax Revenues may be adversely affected and as a possible consequence may have an adverse effect on the Successor Agency’s ability to pay debt service on the 2025B Bonds.

Assessment Appeals. Assessment appeals may be filed by property owners seeking a reduction in the assessed value of their property. After the property owner files an appeal, the County’s Assessment Appeals Board will hear the appeal and make a determination as to whether or not there should be a reduction in assessed value for a particular property and the amount of the reduction, if any. To the extent that any reductions are made to the assessed valuation of such properties with appeals currently pending, or appeals subsequently filed, Tax Increment Revenues, and correspondingly, Tax Revenues, will be reduced. Such reductions have not been included in the projections in Table No. 4, but if made, may have an adverse effect on the Successor Agency’s ability to pay debt service on the 2025B Bonds (see “THE REDEVELOPMENT PROJECT - Assessment Appeals” herein).

Natural Hazards. The County, like all California communities, may be subject to unpredictable seismic activity, fires or floods. In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the County and the Redevelopment Project. The County coordinates an emergency network to handle floods, fires, earthquakes and other major disasters through the Office of Response, Recovery and Resilience (“OR3”).

In order to improve emergency response, elevate disaster awareness and prepare for increases in extreme weather due to climate change, the Board created the OR3 in December 2020. The OR3 goes beyond traditional emergency operations to create a full-service division to help the community prepare for disasters, respond during emergencies and assist with recovery.

The County has adopted a Natural Hazards Mitigation Plan. This plan includes a hazard analysis for earthquake, flood, landslide and fire risk, and is required to comply with Federal Emergency Management Agency (“FEMA”) requirements for disaster relief funding. Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Tax Increment Revenues through reduction in the aggregate assessed valuation within the boundaries of the Redevelopment Project.

A further discussion of particular natural hazard risks follows.

Seismic Risks. The County, like most areas of California, is subject to unpredictable seismic activity. The occurrence of seismic activity in the County could result in substantial damage to properties in the Redevelopment Project, which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their property taxes.

The County's General Plan notes that the County is located in a seismically active region and could be impacted by a major earthquake originating from the numerous faults in the area. Surface rupture, ground shaking and liquefaction are the primary seismic risk to the County from a major earthquake along the San Andreas fault or within the Butano, Sargent, Zayante and Corralitos fault zones. Slope instability could result in landslides during ground shaking in some portions of the County. In particular, the epicenter of the 7.1 magnitude Loma Prieta earthquake, which struck in 1989, was located approximately 10 miles east-northeast of the City of Santa Cruz.

Flooding Risks. In addition to its 3-mile section of coastline along the Pacific Ocean, a small portion of the Redevelopment Project is located in a 100-year flood plain.

Most of the historical severe flooding has occurred outside of the Redevelopment Project. A flood occurred in 1995 when storm water breached the protective levee of the Pajaro River and flooded approximately 3,280 acres adjacent to the river. The County was required to pay a portion of damages resulting from the levee breach. Another flood occurred in 2023 on the Monterey County side of the Pajaro River due to a 400-foot breach of the levee. Litigation related to damages resulting from the levee breach has been filed against various public agencies, including the County. The Pajaro Regional Flood Management Agency, a joint powers authority of the County, the Santa Cruz County Flood Control and Water Conservation District Zone No. 7, the County of Monterey, the Monterey County Water Resources Agency, and the City of Watsonville was formed in 2021, to plan, finance and implement projects and programs to reduce flood risk from the lower Pajaro River and its tributaries in Santa Cruz and Monterey Counties.

The County and the Redevelopment Project could also be subject to impacts from tsunamis in the event of an earthquake occurring offshore.

Fire Risks. The Redevelopment Project is located in a moderate Fire Hazard Severity Zone, bordering on a high Fire Hazard Severity Zone. In recent years, wildfires have caused extensive damage throughout the State and in the County. Certain of these fires, like the CZU Lightning Complex Fire occurring within the County in 2020, have burned thousands of acres and destroyed numerous homes. In some instances, entire neighborhoods have been destroyed. There can be no assurances that future wildfires will not affect the property located in the Redevelopment Project. Property damage due to wildfire could result in a significant decrease in the market value of property in the Redevelopment Project and in the ability or willingness of property owners to pay property taxes when due.

Sea Level Rise and Risks Associated with Global Climate Change. The western boundary of the County is located along and inland from the Pacific Ocean coast of California. The Redevelopment Project includes 3 miles of coastline. In recent years, concern has arisen regarding the impact of climate change on coastal communities like the County, including as a result of sea level rise. The County's 2013 Climate Action Strategy originally identified risks of potential damage to property in the County in the event of various climate change scenarios resulting from sea level rise as well as the actions current and future decision makers will need to take to protect the natural and built environments, residents, visitors, and the economic base and quality of life. The County adopted a 2022 Climate Action and Adaption Plan to include adaptation and mitigation strategies, founded upon the principles of equity and actionable within the span of local government response.

Sea level rise is expected to gradually inundate low-lying areas, which includes the shoreline and beach areas along the coastline that are presently closest to sea level, and therefore some property in the County will be susceptible to direct impacts from rising sea levels, as will certain public facilities, operated by the

City of Santa Cruz and shared by the County. The greatest uncertainty is the rate at which sea level rise will occur. Because sea level rise is a gradual process, affected public agencies can implement long-term policies designed to mitigate the impacts, but there is no guarantee that there will be funding to invest in adaptation strategies or what the net effect of those strategies will be.

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

Other potential impacts of climate change, in addition to sea level rise, may include extreme temperatures becoming more common and extreme weather events becoming more frequent. Projections of the impacts of global climate change on the County and the Redevelopment Project are complex and depend on many factors that are outside the control of the County. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the County is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts on the operations, finances and market value of property in the County, including the Redevelopment Project, or on the County's economy.

Coastal Storm Waves. Sea level rise could also increase the frequency of coastal flooding from extreme waves. Extreme waves during storms have recently caused localized flooding and damage to structures along the Santa Cruz County coast, including the Redevelopment Project's coastal property.

Homeowners' Calamity Relief. A property owner affected by a natural disaster can file an Application for Reassessment: Property Damaged or Destroyed by Misfortune or Calamity with the County Assessor, allowing current property taxes to be reduced for that portion of the property damaged or destroyed. Such filings were made for certain property in the County as a result of the CZU Lightning Complex Fire in 2020. The County also allowed affected property owners to postpone the next installment of property taxes in some cases. Timely filed and approved applications for property tax deferral allowed postponement of the next property tax installment until the County Assessor reassessed the property and the owner received a corrected tax bill. To qualify for deferral, for property receiving a homeowners' exemption, "substantial disaster damage" meant damage amounting to at least 10 percent of its fair market value or \$10,000, whichever was less. For all other property, the damage must have been at least 20 percent of value.

Property damage due to future natural disasters in the Redevelopment Project could result in a significant decrease in the market value of property in the Redevelopment Project and in the ability or willingness of property owners to pay property taxes when due. The County could also again implement a deferral program for property taxes similar to the program described above.

Hazardous Substances. An additional environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of a hazardous substance that would limit the beneficial use of a property within the Redevelopment Project. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner (or operator) may be required to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Redevelopment Project be affected by a hazardous substance would be to reduce the marketability and value of the property, perhaps by an amount in excess of the costs of remedying the condition. The Successor Agency can give no assurance that future development will not be limited by these conditions.

Development Risks. The Successor Agency's collection of Tax Revenues is directly affected by the economic strength of the Redevelopment Project. Potential development within the Redevelopment Project will be subject to all the risks generally associated with real estate development projects, including unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in real estate market and interest rates, unexpected increases in development costs and other similar factors. Further, real estate development operations within the Redevelopment Project could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Redevelopment Project is delayed or halted, the economy of the Redevelopment Project could be affected, causing a reduction in Tax Revenues available to pay debt service on the 2025B Bonds. The projections of Tax Revenues herein do not include any new development to be added to the 2025-26 tax roll value.

Certain Bankruptcy Risks. The enforceability of the rights and remedies of the Owners of the 2025B Bonds and the obligations of the Successor Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which 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 federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2025B Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Levy and Collection of Taxes. The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provision of additional sources of income to Taxing Agencies having the effect of reducing the property tax rate must necessarily reduce the amount of Tax Increment Revenues, and consequently, Tax Revenues that would otherwise be available to pay the principal of, and interest on the 2025B Bonds.

The County could also elect to terminate the Teeter Plan and, in such event, the amount of the levy of property tax revenue that could be allocated to the Successor Agency would depend upon the actual collections of taxes within the Redevelopment Project. Substantial delinquencies in the payment of property taxes could impair the timely receipt by the Successor Agency of Tax Revenues.

Interpretation of and Future Changes in the Law; Voter Initiatives. The Redevelopment Law and the Dissolution Act are complex bodies of law and their application to the Successor Agency, the Redevelopment Plan and the Redevelopment Project may be subject to different interpretations by the Successor Agency, the DOF, the County Auditor-Controller, Taxing Agencies and other interested parties, including with respect to Tax Sharing Agreements and Statutory Tax Sharing obligations and enforceable obligations. Since the effectiveness of the Dissolution Act, the DOF and various successor agencies have from time to time disagreed about the interpretation of different language contained in the Dissolution Act, as well as whether or not the DOF has exceeded its authority in rejecting items from Recognized Obligation Payment Schedules submitted by successor agencies, as evidenced by numerous lawsuits. While the Successor Agency has covenanted in the Indenture to preserve and protect the security of the 2025B Bonds and the rights of the 2025B Bondholders (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Covenants of the Successor Agency"), any such action taken by the Successor Agency could incur substantial time and cost that may have a detrimental effect on the Successor Agency's ability to timely pay debt service on the 2025B Bonds. Moreover, the Successor Agency cannot guarantee the outcome of any such action taken by the Successor Agency to preserve and protect the security of the 2025B Bonds and the rights of the Bondholders.

In addition to the existing limitations on Tax Increment Revenues described in this Official Statement under “FINANCIAL INFORMATION - Property Taxation in California,” the California electorate or Legislature could adopt future limitations with the effect of reducing Tax Increment Revenues payable to the Successor Agency.

Real Estate and General Economic Risks

Tax Increment Revenues as presented herein as available for payment of any indebtedness of the Successor Agency are based upon the latest actual assessed values for the 2025-26 Fiscal Year. Redevelopment of real property within the Redevelopment Project by the County, as well as private development in the Redevelopment Project, may be adversely affected by changes in general economic conditions, fluctuations in the real estate markets and interest rates, unexpected increases in development costs, changes in or new governmental policies including governmental policies to restrict or control certain kinds of development and by other similar factors. If development and redevelopment activities in the Redevelopment Project encounter significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Redevelopment Project could be adversely affected, causing reduced taxable valuation of property in the Redevelopment Project, a reduction of the Tax Increment Revenues and a consequent reduction in Tax Revenues available to repay the 2025B Bonds. In the event of any future decline in the general economy of the region, owners of property within the Redevelopment Project could be less able or less willing to make timely payments of property taxes, causing a delay or reduction of Tax Increment Revenues and consequently a reduction in Tax Revenues available to repay the 2025B Bonds.

Cybersecurity

The County and the Successor Agency, like many other public and private entities, rely on computer and other digital networks and systems to conduct their operations and finances and consequently face the threat of cybersecurity incidents. As a recipient and provider of personal, private or other electronic sensitive information, the County faces cyber threats from time to time including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the County’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The County has developed incident response plans for cyber events and has implemented cyber security training for all County employees. A cyber security committee has developed policies for end users around passwords, training, data destruction and handling as well as mobile device use. The County’s Information Services Department actively participates and works with local and national cybersecurity groups such as the National Association of Counties, the Multi-State Information Sharing & Analysis Center and the Northern California Regional Incident Command. The County also engages the Department of Homeland Security’s Cybersecurity & Infrastructure Security Agency yearly for vulnerability assessments and weekly scans of externally facing systems. Additionally, the County conducts twice yearly tabletop exercises and also took part in a Bay Area tabletop exercise in March 2024 (a tabletop exercise is a structured and facilitated meeting to discuss a simulated emergency situation). As standards continue to change, the County too will continually update processes and priorities to meet these changes.

In 2023, the County experienced a cyber fraud incident, which was covered by its cyber security insurance. The County has never had a major cyber breach that resulted in a significant financial loss, and the 2023 incident did not impact critical financial operations of the County. The County has since instituted certain procedural changes and continues to monitor its compliance with its policies. However, no assurances can be given that the security and operational control measures of the County will be successful in guarding against any and each cyber threat or breach. Although the County continues to maintain insurance coverage for cyber security losses should a successful breach ever occur again, the cost of any such disruption or remedying damage caused by future attacks could be substantial and in excess of such insurance coverage.

The County and the Successor Agency are also reliant on other entities and service providers in connection with the administration of the 2025B Bonds, including the Trustee, and the dissemination agent. No assurance can be given that the County, the Successor Agency and these other entities will not be affected by cyber threats and attacks in a manner that may affect the 2025B Bond Owners.

2025B Bonds Loss of Tax Exemption

The Internal Revenue Code of 1986, as amended (the “Code”), imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the 2025B Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of 2025B Bond proceeds, limitations on the investment earnings on 2025B Bonds proceeds prior to expenditure, a requirement that certain investment earnings on the 2025B Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the “IRS”). The Successor Agency has covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the 2025B Bonds as taxable, retroactively to the date of issuance of such 2025B Bonds.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2025B Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the 2025B Bonds might be affected as a result of such an audit of the 2025B Bonds (or by an audit of similar municipal obligations).

Risks Associated with the Policy and 2025B Reserve Policy

In the event that the Successor Agency defaults in the payment of principal of or interest on the 2025B Bonds when due, the Owners of the Insured 2025B Bonds will have a claim under the Policy for such payments. See the caption “MUNICIPAL BOND INSURANCE.” In the event that the Insurer becomes obligated to make payments on the Insured 2025B Bonds, no assurance can be given that such event will not adversely affect the market for the Insured 2025B Bonds. In the event that the Insurer is unable to make payments of principal of or interest on the Insured 2025B Bonds when due under the Policy, the Insured 2025B Bonds will be payable solely from Tax Revenues and amounts that are held in certain funds and accounts established under the Indenture, as described under the caption “SECURITY FOR THE 2025B BONDS.” In the event that the Insurer becomes obligated to make payments under the 2025B Reserve Policy, no assurance can be given that such event will not adversely affect the market for the 2025B Bonds.

The long-term credit rating on the Insured 2025B Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer’s financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Insured 2025B Bonds. See the caption “CONCLUDING INFORMATION—Ratings.”

None of the Successor Agency, the Municipal Advisor or the Underwriter has made an independent investigation of the claims-paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the Successor Agency, the Municipal Advisor or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the 2025 Bonds, potential investors should carefully consider the ability of the Successor Agency to pay principal and interest on the Insured 2025B Bonds, assuming that the Policy is not available to pay principal and interest on the Insured 2025B Bonds, and the claims-paying ability of the Insurer through final maturity of the Insured 2025B Bonds.

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Indenture and will have the right to control all remedies in the event of a default under the Indenture as to the Insured 2025B Bonds. The Insurer is not required to obtain the consent of the Owners of the Insured 2025B Bonds with respect to the exercise of remedies.

The obligations of the Insurer under the Policy and the 2025B Reserve Policy are unsecured contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2025B Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Successor Agency (the “Issuer”), under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the Issuer with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the 2025B Bonds and requirements of the Internal Revenue Code of 1986 (the “Code”) regarding the use, expenditure and investment of proceeds of the 2025B Bonds and the timely payment of certain investment earnings to the United States, interest on the 2025B Bonds is not included in the gross income of the owners of the 2025B Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2025B Bonds to be included in gross income retroactive to the date of issuance of the 2025B Bonds.

In the further opinion of Bond Counsel, interest on the 2025B Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2025B Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the 2025B Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the 2025B Bonds or of any action taken or not taken where such change is made or action is taken or not taken without

the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the 2025B Bonds for federal income tax purposes.

Bond Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the 2025B Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the 2025B Bonds would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the 2025B Bonds, the Issuer may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the 2025B Bonds could adversely affect the value and liquidity of the 2025B Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a 2025B Bond at a price in excess of the amount payable at its maturity, such excess will constitute "bond premium" under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a 2025B Bond purchaser of purchasing a 2025B Bond with bond premium. Accordingly, persons considering the purchase of 2025B Bonds with bond premium should consult their own tax advisors with respect to the determination of bond premium on such 2025B Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2025B Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of 2025B Bonds of a particular maturity over the initial offering price to the public of the 2025B Bonds of that maturity at which a substantial amount of the 2025B Bonds of that maturity is sold to the public is "original issue discount." Original issue discount accruing on a 2025B Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such 2025B Bond. Original issue discount on a 2025B Bond of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the 2025B Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the 2025B Bond on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a 2025B Bond accruing during each period is added to the adjusted basis of such 2025B Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2025B Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase 2025B Bonds other than at the initial offering price. Bond Counsel is not opining on the accounting for or consequence to a 2025B Bond purchaser of purchasing a 2025B Bond with original issue discount. Accordingly, persons considering the purchase of 2025B Bonds with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such 2025B Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2025B Bonds.

Information Reporting and Backup Withholding

Interest paid on the 2025B Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the 2025B Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner’s federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the 2025B Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the 2025B Bonds of the exclusion of the interest on the 2025B Bonds from gross income for federal income tax purposes or of the exemption of interest on the 2025B Bonds from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the 2025B Bonds. Prospective purchasers of the 2025B Bonds should consult their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Bond Counsel relating to the 2025B Bonds is included in APPENDIX E hereto.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the 2025B Bonds upon an event of default under the Indenture or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2025B Bonds will be qualified to the extent that the enforceability of certain legal rights related to the 2025B Bonds and the Indenture are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Norton Rose Fulbright US LLP, Los Angeles, California, as Bond Counsel, will render an opinion with respect to the 2025B Bonds which states that the Indenture is a valid and binding obligation of the Successor Agency and enforceable in accordance with its terms. The legal opinion of Bond Counsel will be subject to the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors’ rights and to

the exercise of judicial discretion in accordance with general principles of equity. See “APPENDIX E” for the proposed form of Bond Counsel’s opinion with respect to the 2025B Bonds.

The Successor Agency has no knowledge of any fact or other information which would indicate that the Indenture is not so enforceable against the Successor Agency, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors’ rights generally.

Certain legal matters will be passed on for the Successor Agency by the County Counsel, as General Counsel to the Successor Agency. Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, will also pass on certain legal matters for the Successor Agency as Disclosure Counsel. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the 2025B Bonds.

No Litigation

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the 2025B Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing.

CONCLUDING INFORMATION

Ratings on the 2025B Bonds

S&P Global Ratings (“S&P”) has assigned its rating of “A+” to the 2025B Bonds. S&P is expected to assign its municipal bond rating of “AA” to the Insured 2025B Bonds with the understanding that the Policy insuring the payment when due of the principal of and interest on the Insured 2025B Bonds will be issued concurrently by the Insurer with the delivery of the Insured 2025B Bonds. Such ratings reflect only the views of the rating agency and any desired explanation of the significance of such ratings, and any outlook associated with such ratings should be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

Except as otherwise required in the Continuing Disclosure Certificate, the Successor Agency undertakes no responsibility either to bring to the attention of the owners of any 2025B Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2025B Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The Municipal Advisor

The material contained in this Official Statement was prepared by the Successor Agency with the assistance of the Municipal Advisor who advised the Successor Agency as to the financial structure and certain other financial matters relating to the 2025B Bonds. The information set forth herein received from sources other than the Successor Agency has been obtained by the Successor Agency from sources which are believed to be reliable, but such information is not guaranteed by the Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the 2025B Bonds.

Continuing Disclosure

The Successor Agency will provide annually certain financial information and data relating to the Redevelopment Project by not later than March 31 in each year commencing March 31, 2026 (the “Annual Report”), and will provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the “Rule”). The Municipal Advisor will act as Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the Successor Agency’s Continuing Disclosure Certificate attached in “APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Successor Agency has entered into previous undertakings pursuant to the Rule. The Successor Agency believes it has complied in all material respects with any undertaking made pursuant to the Rule within the last five years. The Successor Agency’s obligations are administered by the County and it is only one of the entities related to the County that have entered into previous undertakings pursuant to the Rule. The County believes it has complied in all material respects with any undertaking made pursuant to the Rule. However, within the last five years, the County has failed to comply with its prior undertakings in the following respects: (i) with respect to the County’s 2020-2021 Tax and Revenue Anticipation Notes, the County’s final budget was posted on November 10, 2020, 10 days later than required and (ii) with respect to four land-secured financings, the Annual Report for Fiscal Year 2020-21 was filed timely; however, the County’s audited financial statements were filed on April 11, 2022 for such issues, 42 days later than required and a notice of failure to timely file such audited financial statements for the four affected issues was filed on April 11, 2022.

Underwriting

The 2025B Bonds were sold to Stifel, Nicolaus & Company, Incorporated (the “Underwriter” or “Stifel”) pursuant to a Bond Purchase Agreement dated _____, 2025. The Underwriter is offering the 2025B Bonds at the initial offering prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter will purchase the 2025B Bonds at a price equal to \$_____, which amount represents the principal amount of the 2025B Bonds, plus a net original issue premium of \$_____ and less an Underwriter’s discount of \$_____. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter’s discount.

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the County or the Successor Agency and to persons and entities with relationships with the County or the Successor Agency, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the County or the Successor Agency (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the County or the Successor Agency.

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets,

securities and instruments. Such investment and securities activities may involve securities and instruments of the County or the Successor Agency.

Additional Information

The summaries and references contained herein with respect to the Indenture, the 2025B Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the 2025B Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of this document may be obtained after delivery of the 2025B Bonds from the Successor Agency at 701 Ocean Street, Santa Cruz, California 95060.

References

All 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 Successor Agency and the purchasers or Owners of any of the 2025B Bonds.

Execution

The execution and delivery of this Official Statement by the Auditor-Controller-Treasurer-Tax Collector acting as the Treasurer of the Successor Agency has been duly authorized by the Successor Agency.

SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY

By: _____
Treasurer

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture and does not purport to be a complete restatement thereof. Reference is hereby made to the Indenture for the complete terms thereof. Copies of the Indenture are available from the Successor Agency upon request.

Definitions

Unless otherwise defined in this Official Statement, the following terms have the following meanings:

“Additional Bonds,” “Additional Loans,” or “Parity Debt” means any bonds, notes loans advances or other indebtedness issued or incurred by the Successor Agency on a parity with the Bonds or the Parity Bonds pursuant to the Indenture and the Parity Bonds Indentures.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year upon maturity or mandatory Sinking Account redemption.

“Bonds” or “2025B Bonds” means the Santa Cruz County Redevelopment Successor Agency, Tax Allocation Refunding Bonds, 2025 Series B.

“Bond Insurance Policy” or “Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured 2025B Bonds when due.

“Bond Insurer” or “Insurer” means Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

“Bond Year” means the twelve-month period commencing on September 2 of each year, provided that the first Bond Year extend from the Closing Date to September 1, 2025.

“Certificate of the Successor Agency” means a certificate in writing signed by the Chairperson, County Executive Officer, Assistant County Executive Officer, Treasurer or Clerk of the Board of the Successor Agency, or any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

“Debt Service Reserve Insurance Policy” or “Reserve Policy” means the debt service reserve insurance policy issued by the Bond Insurer, which is a Qualified Reserve Account Credit Instrument, issued by the Bond Insurer for the credit of the Reserve Account.

“Defeasance Securities” means, with respect to the Bonds, means non-callable direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the payment of principal and interest by the United States of America, or as may be authorized under State law and approved by the Bond Insurer.

“Dissolution Act” means Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code.

“DOF” means the California Department of Finance.

“Fiscal Year” means any twelve (12) month period beginning on July 1st and ending on the next following June 30th.

“Indenture” means that indenture of trust between the Successor Agency and the Trustee dated as of

November 1, 2025 providing for the issuance of the Bonds, as originally entered into or as it may be amended or supplemented from time to time pursuant to any Supplemental Indenture entered into pursuant to the provisions of the Indenture.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information with respect to called bonds as the Successor Agency may designate in a Certificate of the Successor Agency delivered to the Trustee.

“Insured 2025B Bonds” means the 2025B Bonds maturing on September 1 of the years 20__ through 20__, inclusive.

“Interest Payment Date” means March 1 and September 1 in each year, commencing September 1, 2025, so long as the Bonds remain Outstanding under the Indenture.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest amount of Annual Debt Service on all Outstanding Bonds for the current or any future Bond Year.

“Outstanding,” means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture, all Bonds theretofore issued and authenticated under the Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and authenticated pursuant to the Indenture.

“Parity Bonds” means the 2007 Refunding Bonds, the 2015 Series B Bonds, the 2017 Bonds, the 2025A Bonds and any additional Parity Debt.

“Parity Bonds Indentures” means the 2007 Refunding Indenture, the 2015 Series B Indenture, the 2017 Indenture, the 2025A Indenture and any Supplemental Indenture providing for the issuance of Parity Debt.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the Successor Agency itself): (i) Federal Housing Administration debentures; (ii) participation certificates of the General Services Administration; (iii) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (iv) guaranteed Title XI financings of the U.S. Maritime Administration; and (v) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the Successor Agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan

Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) obligations of the Resolution Funding Corporation; and (v) consolidated system-wide bonds and notes of the Farm Credit System.

- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, transfer agent, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains a fee from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.
- (e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated “A-1+” or better by S&P, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.
- (g) Commercial paper rated at the time of purchase “A-1+” or better by S&P.
- (h) Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by such agencies.
- (i) Federal funds, bank deposit products or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A-1+” by S&P.
- (j) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

“Project Area” or “Redevelopment Project” means the project area described in the Live Oak/Soquel Community Improvement Project Redevelopment Plan.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met at the time the Successor Agency determines delivery thereof to the Trustee: (a) the long-term credit rating of such bank or the claims paying rating of such insurance company is, at the time of commencement, AA or better from each Rating Agency, and, if rated by A.M. Best & Company, rated in its highest rating category, which then maintains a rating on the Bonds; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account and the Principal Account for the purpose of making payments required pursuant to the Indenture.

“Regular Record Date” means, with respect to any Interest Payment Date, before the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day.

“Related Documents” shall mean all bond documents including the resolution, trust agreement, indenture, ordinance, bond, note, certificate and/or any additional or supplemental document executed in connection with the Bonds.

“Remaining Limitation Amount” means the aggregate amount of the tax increment revenues that are permitted to be collected under the Redevelopment Plan less the gross amount of tax increment revenues collected to the date of calculation. The County Election Amount and the School District Election Amount are not included in the amount of tax increment revenues allocated to the Prior Agency or the Successor Agency.

“Reserve Requirement” means \$4,707,500.00, an amount equal to 10% of the original principal amount of the Bonds at Closing.

“Statutory Tax Sharing” means amounts paid to affected taxing agencies, if any, pursuant to Sections 33607.5 and/or 33607.7 of the Law, except to the extent that any amounts so payable are payable on a basis subordinate to the Bonds, or any Parity Bonds or Parity Debt.

“Subordinate Debt” means any loans, advances or indebtedness issued or incurred by the Successor Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and upon the Tax Revenues thereunder for the security of the Bonds, all Parity Bonds and Parity Debt.

“Supplemental Indenture” means any resolution, indenture of trust, loan agreement of other instrument authorizing the issuance of any Parity Debt.

“Tax Revenues” means (a) those taxes paid to the Successor Agency with respect to the Redevelopment Project pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State Law, and as provided in the Redevelopment Plan, and (b) reimbursements, subventions (but excluding payments to the Prior Agency with respect to the personal property within the Redevelopment Project pursuant to Section 16110, et seq., of the Government Code of the State), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes, including that portion of such taxes otherwise required by Section 33334.3 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the Bonds, the Parity Bonds and any Additional Bonds (including applicable reserves and financing costs) attributed to amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Redevelopment Law to increase, improve or preserve the supply of low- and moderate-income housing within or of benefit to the Redevelopment Project; but excluding (i) all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the Successor Agency pursuant to Section 33334.3 of the Redevelopment Law, (ii) all amounts payable by the Successor Agency to affected taxing agencies pursuant to any existing Tax Sharing Agreements, unless the payment of such amounts has been subordinated to the payment of debt service on the Bonds, the Parity Bonds or any Additional Bonds; (iii) the School District Election Amount, and (iv) amounts required to be paid as Statutory Tax Sharing.

“Tax Sharing Agreements” means (a) that certain Agreement between the Prior Agency and the Capitola Fire District Regarding Pass-Through of Tax Increments Pursuant to Health and Safety Code Section 33401, dated April 28, 1987, (b) that certain Agreement between the Prior Agency and the Central Fire District Regarding Pass-Through of Tax Increments Pursuant to Health and Safety Code Section 33401, dated April 28, 1987, (c) that certain Agreement between the Prior Agency and the County of Santa Cruz Flood Control & Water Conservation District Regarding Pass-Through of Tax Increments Pursuant to

Health and Safety Code Section 33401, dated April 28, 1987, (d) that certain Agreement between the Prior Agency and the County of Santa Cruz Zone 4 Fund Regarding Pass-Through of Tax Increments Pursuant to Health and Safety Code Section 33401, dated April 28, 1987, (e) that certain Agreement between the Prior Agency and the County of Santa Cruz Zone 5 Fund Regarding Pass-Through of Tax Increments Pursuant to Health and Safety Code Section 33401, dated April 28, 1987, (f) that certain Agreement between the Prior Agency and the County of Santa Cruz CSA 11 Fund Regarding Pass-Through of Tax Increments Pursuant to Health and Safety Code Section 33401, dated April 28, 1987, and (g) that certain Agreement between the Prior Agency and the County of Santa Cruz Library Fund Regarding Pass-Through of Tax Increments Pursuant to Health and Safety Code Section 33401, dated April 28, 1987.

“2007 Refunding Bonds” means the Prior Agency’s 2007 Taxable Housing Tax Allocation Refunding Bonds (Live Oak/Soquel Community Improvement Project Area) dated May 24, 2007.

“2007 Refunding Indenture” means that indenture of trust between the Prior Agency and the Trustee dated as of April 1, 2007 providing for the issuance of the 2007 Refunding Bonds.

“2015 Series B Bonds” means the Successor Agency’s Taxable Tax Allocation Refunding Bonds, 2015 Series B issued concurrently with the Bonds.

“2015 Series B Bond Indenture” means that indenture of trust between the Successor Agency and the Trustee dated as of March 1, 2015 providing for the issuance of the 2015 Series B Bonds.

“2017 Bonds” means the Santa Cruz County Redevelopment Successor Agency Taxable Tax Allocation Refunding Bonds, 2017 Series A.

“2017 Indenture” means that indenture of trust between the Successor Agency and Trustee dated as of April 1, 2017, providing for the issuance of the 2017 Bonds.

“2025A Bonds” means the Santa Cruz County Redevelopment Successor Agency Tax Allocation Refunding Bonds, 2025 Series A.

“2025A Indenture” means that Indenture of Trust, dated as of July 1, 2025, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., relating to the issuance of the 2025A Bonds.

Establishment of Funds

Redevelopment Obligation Retirement Fund; Special Fund; Deposit of Tax Revenues. The Successor Agency has established a special trust fund known as the “Redevelopment Obligation Retirement Fund,” which shall be held by the Successor Agency pursuant to Section 34170.5(b) of the Dissolution Act. The Successor Agency has also established, and the Indenture continues, a special trust fund known as the “Special Fund” which shall be held by the Successor Agency within the Redevelopment Obligation Retirement Fund in accordance with the Parity Bonds Indentures and the Indenture. The Successor Agency shall deposit all of the Tax Revenues received in any Bond Year from the Redevelopment Property Tax Trust Fund in accordance with the Dissolution Act in the Special Fund established within the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund are equal to the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account in such Bond Year pursuant to the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in the Parity Bonds Indentures, or with respect to Parity Debt, as provided in any Supplemental Indenture. If the amount of Tax Revenues available in such Bond Year shall be insufficient to deposit the full amount required to be deposited in the Special Fund pursuant to this paragraph, then the Successor Agency shall transfer such Tax Revenues to the Trustee for deposit into the Interest Account, the Principal

Account and the Reserve Account in such Bond Year pursuant to the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in the Parity Bonds Indentures, or with respect to Parity Debt, as provided in any Supplemental Indenture, ratably based on the full amounts required to be deposited without preference or priority for series.

Debt Service Fund. The Trustee will establish the Debt Service Fund, which is pledged to the security of the Bonds. The Successor Agency will transfer moneys in the Special Fund to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, in the following order of priority:

- (a) **Interest Account.** On or before the eighth Business Day preceding each date on which interest on the Bonds becomes due and payable, the Successor Agency will withdraw from the Special Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the outstanding Bonds on such date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. Subject to certain rights of the Trustee, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).
- (b) **Principal Account.** On or before the eighth Business Day preceding each date on which principal of the Bonds is due and payable either at maturity or upon the mandatory sinking account redemption thereof, the Successor Agency will withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the principal becoming due and payable on Outstanding Bonds on such date. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the amount of principal to become due on such date on all Outstanding Bonds. Subject to certain rights of the Trustee, all moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds upon the maturity and upon mandatory sinking fund account redemption.
- (c) **Reserve Account.** In the event that upon the semi-annual valuation of investments the amount on deposit in the Reserve Account is less than the Reserve Requirement, the Trustee will promptly notify the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor Agency will transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. If no amounts are on deposit in the Redevelopment Obligation Retirement Fund, the Successor Agency shall request the amount necessary to maintain the Reserve Requirement on the next available Recognized Obligation Payment Schedule. Subject to certain rights of the Trustee, amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the foregoing accounts on any date which the principal of or interest on the Bonds becomes due and payable, in the event of any deficiency at any time in any of such accounts, or for the retirement of all the Bonds Outstanding. Amounts in the Reserve Account in excess of the Reserve Requirement will be transferred to the Interest Account.

The Successor Agency has the right at any time to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee a Qualified Reserve Account Credit Instrument, and certain other documents as specified in the Indenture; whereupon the Trustee will transfer amounts on deposit in the Reserve Account to the Successor Agency to be used for authorized purposes. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Successor Agency will either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii)

deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

In any event where the Reserve Account contains both a Qualified Reserve Account Credit Instrument and cash, the cash shall be drawn down completely before any demand is made on the Qualified Reserve Account Credit Instrument.

The Reserve Requirement will be initially maintained in the form of the issuance of the Debt Service Reserve Insurance Policy by the Bond Insurer. Under the terms and conditions of the Debt Service Reserve Insurance Policy and the Indenture, the Trustee shall deliver to the Bond Insurer a demand for payment under the Debt Service Reserve Insurance Policy in the required form prior to the date on which funds are required for the purposes set forth above. The Trustee shall comply with all of the terms and provisions of the Debt Service Reserve Insurance Policy for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Account, within the limits of the coverage amount provided by the Debt Service Reserve Insurance Policy. All amounts drawn by the Trustee under the Debt Service Reserve Insurance Policy will be deposited into the Reserve Account and applied for the purposes thereof.

Investment of Funds

All moneys held by the Trustee in the Debt Service Fund, Costs of Issuance Fund and the Rebate Fund shall, at the written direction of the Successor Agency received two (2) Business Days prior to the making of such investment, be invested only in Permitted Investments. If the Trustee receives no written directions from the Successor Agency as to the investment of moneys held in any Fund or Account, the Trustee shall hold such moneys uninvested.

Moneys in the Redevelopment Obligation Retirement Fund shall be invested by the Successor Agency only in obligations permitted by the Law which will by their terms mature not later than the date the Successor Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund.

Moneys in the Interest Account and the Principal Account of the Debt Service Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest and principal payment date, there will be in such account, from matured obligations and other moneys already in such account, cash equal to the interest and principal payable on such payment date.

Moneys in the Reserve Account shall be invested in (i) obligations which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account.

Moneys in the Rebate Fund shall be invested in Defeasance Securities which mature on or before the date such amounts are required to be paid to the United States.

Other Covenants of the Successor Agency

Use of Proceeds; Management and Operation of Properties. The Successor Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and that it will manage and operate all properties owned by it comprising any part of the Redevelopment Project in a sound and businesslike manner.

No Priority. The Successor Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Tax Revenues which have any lien upon the Tax Revenues prior or senior to the lien of the Bonds and the Parity Bonds. Except as permitted by the Indenture, it will not

issue any obligations, payable as to principal or interest, from the Tax Revenues, which have any lien upon the Tax Revenues on a parity with the Bonds authorized therein. Notwithstanding the foregoing, nothing in the Indenture shall prevent the Successor Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding any of the Outstanding Bonds, (ii) from issuing and selling obligations which have any lien upon the Tax Revenues which is junior to the Bonds or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Tax Revenues. As used herein “obligations” includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Punctual Payment. The Successor Agency covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds and the Parity Bonds on the date, at the place and in the manner provided in the Bonds and the Parity Bonds. Further, it will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedules for each six-month period all payments to the Trustee to satisfy the requirements of the Indenture and the Parity Bonds Indentures, including any amounts required under the Indenture and the Parity Bonds Indentures to replenish the Reserve Account (including draws on any Qualified Reserve Account Credit Instrument) of the Debt Service Fund to full amount of the Reserve Requirement and to pay amounts due and payable to the Bond Insurer.

Payment of Taxes and Other Charges. The Successor Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Successor Agency or any of the properties then owned by it in the Redevelopment Project, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or the use of Tax Revenues or other legally available funds to pay the principal of and interest on the Bonds, all to the end that the priority and security of the Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of the payment.

Books and Accounts; Financial Statements. The Successor Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Tax Revenues, the Special Fund and other funds of the Successor Agency. The Successor Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a complete financial statement or statements for such year, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Successor Agency, and will furnish a copy of the statement or statements to any Bondowner upon written request. The Trustee shall have no duty to review the Successor Agency's financial statements. The Successor Agency's financial statements may be included as part of the County's Comprehensive Annual Financial Report.

Eminent Domain Proceeds. The Successor Agency covenants and agrees that if all or any part of the Redevelopment Project should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it shall take all steps necessary to adjust accordingly the base year property tax roll of the Redevelopment Project.

Disposition of Property. The Successor Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Redevelopment Project (except property shown in the Redevelopment Plan in effect on the date the Indenture is adopted as planned for public use, or property to be used for public streets, public off-street parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in Tax Revenues to be less than the amount required for the issuance of Parity Bonds as provided in the Indenture, based upon the certificate or opinion of an

Independent Financial Consultant appointed by the Successor Agency.

Protection of Security and Rights of Bondowners. The Successor Agency covenants and agrees to preserve and protect the security of the Bonds and the rights of the Bondowners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Successor Agency that (i) the Law is unconstitutional or (ii) that the Tax Revenues pledged under the Indenture cannot be paid to the Successor Agency for the debt service on the Bonds or (b) any other action affecting the validity of the Bonds or diluting the security therefor, including, with respect to the Tax Revenues, the senior lien position of the Bonds to the County Election Amount.

Compliance with Dissolution Act. The Successor Agency covenants that it will comply with all other requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to ensure compliance by the Successor Agency with its covenants under the Indenture. Further, it will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds and on the Parity Bonds, as well as any amount required under the Indenture and the Parity Bonds Indentures to replenish the Reserve Accounts of the Debt Service Funds, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller-Treasurer-Tax Collector to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds and the Parity Bonds coming due in the respective six-month period and to pay all amounts owed to the Bond Insurer. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Indenture and the Parity Bonds Indentures in the following six-month period and to pay all amounts owed to the Bond Insurer.

Plan Limit. The Successor Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limit in the amounts and at the times required to enable the Successor Agency to pay the principal of and interest on the Bonds (including amounts due and payable to the Bond Insurer), the Parity Bonds and any Parity Debt when due.

The Successor Agency covenants that the aggregate amount of scheduled debt service remaining to be paid on the Bonds, and all outstanding Parity Debt and all outstanding Subordinate Debt secured by a lien on or pledge of Tax Revenues (the "Aggregate Debt Service") shall at no time exceed 95% of the Remaining Limitation Amount. The Remaining Limitation Amount will be calculated annually after each June 1 distribution to the Redevelopment Obligation Retirement Fund and the calculation included in the Successor Agency's Annual Report prepared to comply with the Continuing Disclosure Certificate. If, in any Fiscal Year, the Successor Agency determines that the Aggregate Debt Service exceeds 95% of the Remaining Limitation Amount, the Successor Agency shall (a) promptly notify the Bond Insurer, the insurer of the 2015 Series B Bonds, the insurer of the 2017 Bonds and the insurer of the 2025A Bonds of such fact in writing, (b) transfer all Tax Revenues received in such Fiscal Year to the Trustee for deposit in the Debt Service Fund or other applicable fund or accounts, (c) cause, by written instruction, the Trustee to apply such Tax Revenues to the payment and prepayment of the then outstanding Bonds and Parity Bonds, as said Bonds and Parity Bonds become due, and the scheduled payment of the then outstanding Subordinate Debt as said Subordinate Debt becomes due in the amount necessary in such Fiscal Year and in each year thereafter so that the 95% limit is no longer reached or exceeded, (d) include such prepayment and payment amounts described in clause (c) to be included on the Recognized Obligation Payment Scheduled, and (e) not later than October 1 of the following year and each October 1 thereafter, cause to be filed with the Bond Insurer, the insurer of the 2015 Series B Bonds, the insurer of the 2017 Bonds and the insurer of the 2025A Bonds a Report of an Independent Redevelopment Consultant and/or an Independent Certified Public Accountant showing (i) the annual amounts and the aggregate amount of scheduled debt service remaining to be paid on the Bonds, all outstanding Parity

Bonds and all outstanding Subordinate Debt secured by a lien on or pledge of Tax Revenues, and (ii) the Remaining Limitation Amount.

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

Continuing Disclosure. The Successor Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Rights of the Bond Insurers

Build America Mutual Assurance Company (“BAM”) and Assured Guaranty Inc. (“AG”) have certain rights under the Parity Bonds Indentures to direct all remedies in the event of default under such Parity Bonds Indentures and the Bond Insurer has certain rights under the Indenture to direct all remedies in the event of default under the Indenture. BAM, AG (as Insurer under a Parity Indenture) and the Bond Insurer are collectively referred to as the “Insurers.” The Insurers shall be recognized as the registered owner of each Bond which it insures for the purposes of exercising all rights and privileges available to bondholders. For Bonds or Parity Bonds which it insures, each Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as a bondholder in accordance with applicable provisions of the Indenture or the Parity Bonds Indentures. Any acceleration of principal payments upon an event of default is subject to an Insurer’s prior written direction or consent. The rights granted to the Insurers under the Indenture or Parity Bonds Indentures shall be deemed terminated and shall not be exercisable by such Insurer during any period during which such Insurer shall be in default under the applicable bond insurance policy. See also “Provisions Relating to Bond Insurance” below.

Amendment of Indenture

The Indenture may be amended at any time with the written consent of the Owners of a majority in aggregate principal amount of the outstanding Bonds and, in the case of Outstanding Parity Bonds, the written consent of the Insurers. No such amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond and the written consent of the Insurers, (b) reduce the percentage of Bonds required for the written consent to any such amendment, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee or the Insurers, as the case may be. Any amendment, supplement, modification to, or waiver of, the Indenture or any other Related Document shall be subject to the prior written consent of the Bond Insurer. With the written consent of the Bond Insurer, the Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture authorized by the Indenture which affects the Trustee’s own rights, duties or immunities under the Indenture or otherwise.

The Indenture may also be amended at any time without the consent of any Bondholders, to the extent permitted by law, but only for any one or more of the following purposes: (a) to add to the covenants and agreements of the Successor Agency in contained in the Indenture, other covenants and agreements thereafter to be observed or to limit or surrender any rights or power therein reserved to or conferred upon the Successor Agency; (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners;

(c) to provide the issuance of Parity Debt and to provide the terms and conditions under which such Parity Debt may be issued; (d) to amend any provision relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any of the Bonds, in the opinion of nationally-recognized bond counsel; and (e) to amend any provision to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument.

Events of Default and Remedies

Events of Default Defined. The following events constitute Events of Default under the Indenture:

- (a) if default shall be made in the due and punctual payment of the principal of or interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements (including default by the obligor on any underlying agreement) or conditions on its part in this Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of 30 days following receipt by the Successor Agency of written notice from the Trustee (with the prior written consent of the Bond Insurer) or any Owner of the occurrence of such default; or
- (c) if the Successor Agency shall commence a voluntary action under Title 11 of the United States Code or any substitute or successor statute.

For purposes of determining whether any event of default has occurred under and as described in the preceding clauses (a) or (b), no effect shall be given to payments made by the Bond Insurer under the Bond Insurance Policy or the Debt Service Reserve Insurance Policy.

Remedies. If an Event of Default has occurred and is continuing, the Trustee (with the prior written consent of the Insurer) may, or if requested in writing by the Owners of the majority in aggregate principal amount of the Bonds then Outstanding, the Trustee shall, by written notice to the Successor Agency, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, and (b) upon receipt of indemnity to its satisfaction exercise any other remedies available to the Trustee and the Owners in law or at equity. Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owners any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Successor Agency, and the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid interest on the Bonds is actually paid on such date.)

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a

sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the net effective rate then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorney's fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Upon the occurrence of an event of default, the Trustee may, or if requested in writing by Owners of a majority in aggregate principal amount of Bonds Outstanding shall, by written notice to the Successor Agency, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. Notwithstanding the foregoing, the maturity of Bonds insured by the Bond Insurer shall not be accelerated without the consent of the Bond Insurer and in the event the maturity of the Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Successor Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. The Bond Insurer shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies. (ii) the duties and obligations of the Trustee and (iii) consents and amendments. In furtherance thereof and as a term of this Indenture and each Bond, each Owner of Bonds appoints the Bond Insurer as its agent and attorney-in-fact with respect to the Bonds and agrees that the Bond Insurer may at any time during the continuation of any proceeding by or against the Successor Agency under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Owner of Bonds delegates and assigns to the Bond Insurer, to the fullest extent permitted by law, the rights each Owner of Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Owner of the Bonds for the Bond Insurer's benefit, and agrees to cooperate with the Bond Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and

assignment. Remedies granted to the Owners shall expressly include mandamus. The rights granted to the Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Bond Insurer.

Limitation on Owner's Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding, including a writ of mandamus in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Defeasance of Bonds

If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

- (a) by well and truly paying or causing to be paid the principal of and interest on all Outstanding Bonds; or
- (b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all Outstanding Bonds, including all principal and interest; or
- (c) by irrevocably depositing with the Trustee, in trust, Defeasance Securities in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal and interest at or before maturity, then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture with respect to such Bonds shall cease and terminate, except only (a) the obligation of the Trustee to transfer and exchange Bonds and (b) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Successor Agency. To accomplish defeasance, the Successor Agency shall cause to be delivered to the Trustee and the Bond Insurer (i) other than with respect to a current refunding that is gross funded, a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an escrow deposit agreement or other irrevocable written instruction (which shall be in form and substance acceptable to the Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that such Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to such Bonds.

Provisions Relating to Bond Insurance

So long as the Bond Insurance Policy is in effect or amounts are owed to the Insurer, the following provisions shall govern the Insured 2025B Bonds notwithstanding anything to the contrary set forth in the Indenture:

Defeasance. The investments in the defeasance escrow relating to Insured 2025B Bond shall be limited to Defeasance Obligations.

At least (three) 3 Business Days prior to any defeasance with respect to the Insured 2025B Bonds, the Successor Agency shall deliver to the Insurer draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured 2025B Bonds, a verification report (a “Verification Report”) prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to the Insurer and shall be in form and substance satisfactory to the Insurer. In addition, the escrow agreement shall provide that:

- (a) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured 2025B Bonds is excludable) from gross income of the holders of the Insured 2025B Bonds of the interest on the Insured 2025B Bonds for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.
- (b) The Successor Agency will not exercise any prior optional redemption of Insured 2025B Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.
- (c) The Successor Agency shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without written notice to and the prior written consent of the Insurer.

Trustee.

- (a) The Insurer shall receive prior written notice of any name change of the Trustee for the Insured 2025B Bonds or the resignation, removal or substitution of the Trustee. The Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by the Insurer in writing.
- (b) No resignation, removal or substitution of the Trustee shall take effect until a successor, meeting the requirements above or acceptable to the Insurer, shall be qualified and appointed. The Insurer shall have the right to direct the replacement of the Trustee upon the occurrence of an event of a default on the Insured 2025B Bonds and any event of default under any senior or subordinate obligations to the extent the Insurer determines in its sole discretion that there exists or could exist a conflict of interest.

Additional Debt. The Successor Agency shall not issue or incur any bonds, debt or other obligations that are payable from or secured by any property tax or tax increment revenues pledged to the Insured 2025B Bonds on a basis senior or superior to the Bonds. The Successor Agency shall not issue or incur any

bonds, indebtedness or other obligations payable or secured on a parity basis with the Bonds except for refunding bonds issued to refund the Bonds or other outstanding parity bonds, provided that such refunding bonds comply with the provisions of the Dissolution Act. Any additional subordinate debt shall be payable on the same dates as the Bonds and shall be in all respects, including security and payment, subordinate and junior to the Bonds and the replenishment of the debt service reserve fund for the Bonds, including the reimbursement of all amounts due and payable to the Insurer relating to the Reserve Policy.

Amendments, Supplements and Consents. The Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The Successor Agency shall send copies of all amendments or supplements to the Insurer and the rating agencies that have assigned a rating to the Insured 2025B Bonds.

(a) Consent of the Insurer. Any amendments or supplements to the Security Documents shall require the prior written consent of the Insurer with the exception of amendments or supplements:

- (1) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the Indenture or in any supplement thereto, or
- (2) To grant or confer upon the holders of the Insured 2025B Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured 2025B Bonds, or
- (3) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or
- (4) To add to the covenants and agreements of the Successor Agency in the Security Documents other covenants and agreements thereafter to be observed by the Successor Agency or to surrender any right or power therein reserved to or conferred upon the Successor Agency, or
- (5) To issue additional bonds in compliance with the terms of the Indenture and the Additional Debt condition set forth above (unless otherwise specified herein).

(b) Consent of the Insurer in Addition to Bondholder Consent. Whenever any Security Document requires the consent of holders of Insured 2025B Bonds, the Insurer's consent shall also be required. In addition, any amendment, supplement, modification to, or waiver of, any of the Security Documents that adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

(c) Notice To and Consent of the Insurer in the Event of Insolvency. To the extent the Successor Agency enters into any reorganization or liquidation plan with respect to the Successor Agency, it must be acceptable to the Insurer. In the event of any reorganization or liquidation of the Successor Agency the Insurer shall have the right to file a claim, object to and vote on behalf of all holders of the Insured 2025B Bonds absent a continuing failure by the Insurer to make a payment under the Bond Insurance Policy. The Successor Agency shall provide the Insurer with immediate written notice of any insolvency event that causes the Successor Agency to be unable to pay its obligations as and when they become due. In the event of a receivership or out-of-court restructuring, the Insurer shall have the right to negotiate and speak on behalf of and bind the bondholders and any agreements reached must be acceptable to the Insurer.

(d) Consent of the Insurer Upon Default. Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, monetary or nonmonetary, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured 2025B Bonds or the Trustee for the benefit of the holders of the

Insured 2025B Bonds under any Security Document. No monetary or nonmonetary default or event of default may be waived without the Insurer's written consent.

(e) Insurer as Owner. Upon the occurrence and continuance of a default or an event of default, the Insurer shall be deemed to be the sole and exclusive owner of the outstanding Insured 2025B Bonds for all purposes under the Security Documents, including, without limitation, for purpose of approvals, consents, exercising remedies and approving agreements relating to the Insured 2025B Bonds.

(f) Consent of the Insurer for acceleration. The Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

(g) Grace Period for Payment Defaults. No grace period shall be permitted for payment defaults on the Insured 2025B Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Insurer.

(g) Special Provisions for Insurer Default. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs (a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Bond Insurance Policy, to the extent of such payment the Insurer shall be treated like any other holder of the Insured 2025B Bonds for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Bond Insurance Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Bond Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) the Insurer has failed to make any payment under the Bond Insurance Policy when due and owing in accordance with its terms; or (B) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Bond Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

The Insurer As Third Party Beneficiary. The Insurer is recognized as and shall be deemed to be an irrevocable third-party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

Payment Procedures Under Bond Insurance Policy.

In the event that principal and/or interest due on the Insured 2025B Bonds shall be paid by the Insurer pursuant to the Bond Insurance Policy, the Insured 2025B Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Successor Agency, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Successor Agency to the registered owners shall continue to exist and shall run to the benefit of the Insurer and the Insurer shall be subrogated to the rights and remedies of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Insured 2025B Bonds.

In the event that on the second (2nd) business day prior to any payment date on the Insured 2025B Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Insured 2025B

Bonds due on such payment date, the Trustee shall immediately notify the Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall notify the Insurer or its designee immediately upon receipt of payment.

In addition, if the Trustee has received notice that any holder of the Insured 2025B Bonds has been required to disgorge payments of principal of or interest on the Insured 2025B Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured 2025B Bonds as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Insured 2025B Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact as set forth in the Notice of Nonpayment (defined in the Bond Insurance Policy) for such holders of the Insured 2025B Bonds in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Insured 2025B Bonds, (ii) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Bond Insurance Policy payment from the Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the Insured 2025B Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Insured 2025B Bonds in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Insured 2025B Bonds surrendered to the Insurer, (ii) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Bond Insurance Policy payment therefore from the Insurer, and (iii) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Insured 2025B Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured 2025B Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured 2025B Bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured 2025B Bond shall have no effect on the amount of principal or interest payable by the Successor Agency on any Insured 2025B Bond or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Insured 2025B Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Successor Agency with respect to such Insured 2025B Bonds, and the Insurer shall become the owner of such unpaid Insured 2025B Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Successor Agency and the Trustee agree for the benefit of the Insurer that:

(a) They recognize that to the extent the Insurer makes payments directly or indirectly (e.g., by paying

through the Trustee), on account of principal of or interest on the Insured 2025B Bonds, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Successor Agency, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured 2025B Bonds; and

(b) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the Indenture and the Insured 2025B Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured 2025B Bonds to holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

Exercise of Rights by the Insurer. The rights granted to the Insurer under the Security Documents and Insured 2025B Bonds to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured 2025B Bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the holders of the Insured 2025B Bonds or any other person is required in addition to the consent of the Insurer.

The Insurer shall be entitled to pay principal or interest on the Insured 2025B Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Successor Agency (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Insured 2025B Bonds as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not the Insurer has received a claim upon the Bond Insurance Policy.

APPENDIX B

COUNTY OF SANTA CRUZ INFORMATION STATEMENT

General Information

The County is situated at the northern tip of Monterey Bay, 73 miles south of San Francisco, 42 miles north of Monterey, and 35 miles south of the Silicon Valley. The County is the gateway to the Monterey Bay National Marine Sanctuary, has 29 miles of beaches and includes seven state parks and seven state beaches. It is the second smallest county in California in land area, containing a total of 445 square miles. There are four incorporated cities in the County: Capitola, Santa Cruz, Scotts Valley and Watsonville.

The City of Santa Cruz was incorporated as a city in 1866. It is the county seat of the County and is the location of the Santa Cruz campus of the University of California. The City of Watsonville, established in 1868, lies 18 miles southeast of the City of Santa Cruz. The City of Watsonville is the center of the County's agriculture region transporting fresh and processed farm crops to worldwide destinations. The City of Capitola stretches along the coast east of the City of Santa Cruz. It was incorporated in 1949 and is a tourist destination and regional retail center. The City of Scotts Valley, incorporated in 1966, lies north of the City of Santa Cruz and includes community commercial areas serving local residents and a mix of industrial sites that have supported light manufacturing and research development firms predominantly in the electronics and technology industries.

Unincorporated communities in the County include: Live Oak, an urban coastal area, between the City of Santa Cruz and the City of Capitola; Soquel, which lies inland north of Capitola; Aptos, east of Soquel; Felton, Ben Lomond and Boulder Creek, which are located in the San Lorenzo Valley between the City of Santa Cruz and Big Basin State Park; Davenport, which is located on the coast north of the City of Santa Cruz; Corralitos, located east of Aptos and northwest of the City of Watsonville; Freedom, which is adjacent to and northwest of the City of Watsonville; and the Pajaro Valley, an agricultural area surrounding the City of Watsonville.

Government Organization

The County was incorporated in 1850 as one of the original 27 counties of the State with the City of Santa Cruz as the county seat. It has a general law form of government. A five-member Board of Supervisors elected to four-year terms serves as the legislative body. Also elected are the Auditor-Controller-Treasurer-Tax Collector, District Attorney-Public Administrator, Sheriff-Coroner, Registrar of Voters-Clerk and Assessor-Recorder. The County Executive Officer, County Counsel and Public Defender are appointed by the Board of Supervisors.

Governmental Services

The County's departments are grouped by service function for budget and reporting purposes.

General Government

General Government includes the departments of the Assessor-Recorder, Auditor-Controller-Treasurer-Tax Collector, Board of Supervisors, the County Executive Office, County Clerk, County Counsel, General Services, Information Services and Human Resources & Risk Management. These departments primarily oversee the administration and financial functions of the County.

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes and distribution of taxes to cities, former redevelopment agencies, special districts, local school districts and the County. A second major function is the County's voter

registration and election system. In addition, the County provides contributions to other agencies such as the Association of Monterey Bay Area Governments, the Local Agency Formation Commission of Santa Cruz County, and the Monterey Bay Air Resources District.

Health and Human Services

Health and Human Services includes the Health Services Agency, the Human Services Department and the Department of Child Support Services. The County's Health Services Agency was established to provide central administration for various health-related programs operated or sponsored by the County. These programs include mental health, public health, environmental health, medical outpatient clinics, medical care for indigents and drug and alcohol treatment services. The County established a Housing for Health division in Fiscal Year 2020-21 with the aim to support and house chronically unhoused individuals in the County.

Most programs operated by the Health Services Agency are mandated by State law and are funded through State subsidies, grants and fees for services. State and federal laws also mandate that counties provide certain human services including Aid to Families with Dependent Children, CalFresh program, Adult Protective Services, public guardian, Child Protective Services, foster care and adoption services and federal workforce development programs. The Patient Protection and Affordable Care Act is administered by the County's Human Services Department (social services) and by the Health Services Agency. The Department of Child Support Services works with parents and guardians to ensure children and families receive court-ordered financial and medical support. In addition, the County provides funding to community non-profits under the CORE Investments budget.

Public Safety & Justice

The County criminal justice system is supported primarily by local County revenues, and consists of the Sheriff-Coroner, the Probation Department, the District Attorney, the Public Defender and a contribution to the Superior Court. Other Public Safety priorities are supported primarily through fees for service and include fire protection, flood control and water conservation, and animal control services.

In addition to countywide law enforcement services, the Sheriff provides narcotics enforcement, investigation of arson, homicides, consumer fraud and crime scene investigation, and acts as coroner for the County and all incorporated cities. The Sheriff operates three jail facilities throughout the County.

The County coordinates an emergency network to handle floods, fires, earthquakes and other major disasters through the Office of Response, Recovery and Resilience, a division of the County Executive Office. The Santa Cruz County Flood Control and Water Conservation District provides flood control and water conservation planning.

Fire protection services in the County are provided by the cities of Santa Cruz and Watsonville, nine fire protection districts and the University of California, Santa Cruz. The Santa Cruz County Fire Department, operated through the California Department of Forestry and Fire Protection (CALFIRE), is responsible for fire protection and first responder emergency medical services in areas outside the boundaries of the fire protection districts.

The County is a participant in a joint powers emergency communications agency which provides public safety dispatchers who coordinate multi-agency mutual aid response, as well as dispatch the Sheriff's Office, ambulance/paramedic services and most fire protection agencies operating within the County. The Santa Cruz County Animal Services Authority is a joint powers authority that includes the County and the cities of Santa Cruz, Watsonville, Capitola and Scotts Valley to provide animal control services to residents.

Land Use and Community Services

The County departments responsible for Land Use and Community Services include the Agricultural Commissioner, Agricultural Extension, Parks, Open Space and Cultural Services, Community Development and Infrastructure and the Redevelopment Successor Agency. The Agricultural Commissioner provides for the protection of agriculture, enforcement of weights and measures and vector control. Parks, Open Space and Cultural Services provides administrative and operational support to implement the Santa Cruz County Water and Wildfire Protection Act approved by the voters in 2024. This measure provides funding for land management, cleanup and conservation projects in forests, streams, beaches and other open spaces.

The Department of Community Development and Infrastructure (“CDI”) oversees two divisions. The Planning division of CDI develops, implements and enforces land use policies and ordinances, administers environmental review and protection programs, processes and issues building, zoning, and other developmental permits, handles code compliance and oversees affordable housing and community development efforts. The Public Works division of CDI provides for the maintenance of public infrastructure for services associated with transportation, solid waste, sanitation, parking, drainage, and solid waste/recycling.

Transportation

Six major State highways connect the County with adjacent counties. Highway 1 stretches along the coast from San Francisco south to the City of Santa Cruz and on to Monterey. Highways 9 and 17 traverse the County from the City of Santa Cruz across the Santa Cruz Mountains into Santa Clara County. The City of Watsonville is joined with Santa Clara County by Highway 152 and with San Benito County by Highway 129. Highways 17, 152 and 129 connect with U.S. 101, a major north-south route. Highway 236 provides access to Big Basin State Park.

Air cargo and passenger flight services are provided at the San José Mineta International Airport, 32 miles northeast; Monterey Regional Airport, 43 miles south; and San Francisco International Airport, 60 miles north. Watsonville Municipal Airport provides private and executive air transportation facilities and air cargo.

Bus transportation is provided through the Santa Cruz Metropolitan Transit District for inter-urban and local inter-community service. Greyhound Bus Lines provides service to other local areas and additional transcontinental service with connections to Amtrak.

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Population

The following table shows the January 1 State of California Department of Finance estimates of total population in the County of Santa Cruz and the State of California for each year since 2021, and the change from the previous year.

January 1 <u>Year</u>	<u>COUNTY OF SANTA CRUZ</u>		<u>STATE OF CALIFORNIA</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
2021	266,168		39,369,530	
2022	264,581	(0.6)%	39,179,680	(0.5)%
2023	264,250	(0.1)	39,228,444	0.1
2024	263,454	(0.3)	39,420,663	0.5
2025	263,710	0.1	39,529,101	0.3

Source: *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2021-2025, with 2020 Census Benchmark"* Sacramento, California, May 2025.

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Employment and Industry

Civilian labor force, employment and unemployment statistics for the County, and the State and the nation, for the years 2020 through 2024 are shown in the following table.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2020</u>				
Santa Cruz County	133,600	120,900	12,700	9.5%
California	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
Santa Cruz County	133,400	124,200	9,200	6.9%
California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
Santa Cruz County	134,200	127,800	6,400	4.8%
California	19,252,000	18,440,900	811,100	4.2
United States	164,278,000	158,291,000	5,996,000	3.6
<u>2023</u>				
Santa Cruz County	133,200	125,600	7,600	5.7%
California	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6
<u>2024</u>				
Santa Cruz County	136,100	128,000	8,100	5.9%
California	19,644,100	18,600,900	1,043,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0

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

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

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The County is located in the Santa Cruz-Watsonville Metropolitan Statistical Area (“MSA”). Wage and salary workers by industry statistics for the Metropolitan Division annual averages for the years 2020 through 2024 are shown in the following table.

**SANTA CRUZ-WATSONVILLE MSA
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾**

<u>Industry</u>	Calendar Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Government	21,100	20,200	18,800	19,300	19,100
Other Services	4,400	4,300	4,700	4,700	4,700
Leisure and Hospitality	10,300	11,800	14,000	14,500	14,400
Educational and Health Services	17,100	17,200	17,700	18,500	19,400
Professional and Business Services	10,400	10,600	10,700	9,900	9,500
Financial Activities	3,200	3,200	3,300	3,300	3,400
Information	600	600	600	600	700
Transportation, Warehousing and Utilities	1,700	2,000	2,200	2,100	2,100
Service Producing					
Retail Trade	10,800	11,000	11,000	10,800	10,600
Wholesale Trade	3,300	3,300	3,500	3,300	2,900
Manufacturing					
Nondurable Goods	3,100	3,300	3,700	3,500	3,400
Durable Goods	3,700	4,200	4,300	4,400	4,900
Natural Resources, Mining and Construction	<u>4,400</u>	<u>4,800</u>	<u>5,000</u>	<u>5,100</u>	<u>5,100</u>
Total Nonfarm	93,900	96,500	99,300	99,800	100,200
Farm	<u>8,000</u>	<u>7,200</u>	<u>7,100</u>	<u>6,700</u>	<u>7,400</u>
Total (all industries)	101,900	103,700	106,400	106,500	107,600

⁽¹⁾ Annual average.

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

Source: State of California Employment Development Department, Labor Market Information Division, “*Industry Employment & Labor Force - by Annual Average.*”

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The principal employers operating within the County as of June 30, 2024 are shown in the table below:

**COUNTY OF SANTA CRUZ
PRINCIPAL EMPLOYERS**

<u>Employer</u>	<u>Number of Employees⁽¹⁾</u>	<u>Sector</u>
University of California at Santa Cruz	1,000-4,999	Education
Santa Cruz Government Center	1,000-4,999	County Services
Dominican Hospital	1,000-4,999	Hospital
Santa Cruz Health Center	500-999	County Services
Granite Rock	500-999	Excavating Contractors
Plantronics ⁽²⁾	500-999	
Watsonville City Sewer Department	500-999	City Services
Source Naturals	500-999	Vitamin Manufacturer
Cabrillo Sesnon House	500-999	Education
Monterey Mushrooms ⁽³⁾	500-999	Agriculture
Larse Farms	500-999	Agriculture
Ameri-Kleen	500-999	Services

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

⁽²⁾ Facility sold to Joby Aviation in November 2022. Joby Aviation specializes in electric vertical takeoff and landing aircraft. The company headquarters are located in Santa Cruz and the facility houses offices and workshops, with approximately 365 employees.

⁽³⁾ Monterey Mushrooms closed its Watsonville facility in December 2024.

Source: County of Santa Cruz Annual Comprehensive Financial Report.

Other than noted above, the County is not aware of any other significant changes in its largest employers since June 2024.

Per Capita Personal Income

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

**PER CAPITA PERSONAL INCOME
COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA AND UNITED STATES
2019-2023**

<u>Calendar Year</u>	<u>County of Santa Cruz</u>	<u>State of California</u>	<u>United States</u>
2019	\$69,402	\$64,219	\$55,566
2020	77,231	70,098	59,123
2021	88,329	76,882	64,460
2022	83,277	76,941	66,244
2023	88,581	81,255	69,810

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

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

Commercial Activity

Taxable transactions by type of business for the County are summarized below for 2020 through 2024 (the most recent year for which full-year statistics are available).

COUNTY OF SANTA CRUZ
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in thousands)
2020-2024

	Calendar Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<i>Retail and Food Services</i>					
Motor Vehicle and Parts Dealers	\$ 411,407	\$ 493,363	\$ 488,190	\$ 613,350	\$ 646,498
Home Furnishings and Appliance Stores	106,194	124,045	122,849	106,198	104,922
Building Material, Garden Supplies	405,904	435,731	440,552	428,878	413,520
Food and Beverage Stores	292,589	294,159	298,904	296,050	297,237
Gasoline Stations	210,315	295,589	374,213	328,980	307,864
Clothing and Accessories Stores	129,587	180,481	181,654	181,085	179,808
General Merchandise	278,370	315,253	336,312	327,438	333,200
Food Services and Drinking Places	404,323	569,320	637,266	650,931	660,393
Other Retail Group	<u>749,876</u>	<u>725,819</u>	<u>712,377</u>	<u>694,430</u>	<u>657,285</u>
Total Retail and Food Services	2,988,564	3,433,759	3,592,319	3,627,341	3,600,727
All Other Outlets	<u>977,196</u>	<u>1,142,227</u>	<u>1,253,953</u>	<u>1,239,195</u>	<u>1,266,831</u>
Total All Outlets	\$3,965,760	\$4,575,986	\$4,846,272	\$4,866,536	\$4,867,558

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

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

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Building Activity

The following table summarizes building activity and valuations for the County unincorporated area.

**COUNTY OF SANTA CRUZ
UNINCORPORATED AREA
BUILDING ACTIVITY AND VALUATION
(in \$ thousands)
2020-2024**

	Calendar Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Residential ⁽¹⁾	\$16,076	\$29,332	\$56,450	\$19,230	\$29,283
Non-Residential	<u>2,909</u>	<u>8,144</u>	<u>3,677</u>	<u>1,412</u>	<u>2,549</u>
Total Valuation	<u>\$18,985</u>	<u>\$37,416</u>	<u>\$60,127</u>	<u>\$20,642</u>	<u>\$31,832</u>
No. of New Dwelling Units:					
Single-Family Units ⁽²⁾	79	141	212	50	85
Multi-Family Units	<u>8</u>	<u>0</u>	<u>137</u>	<u>7</u>	<u>0</u>
Total New Units	87	141	349	57	85

⁽¹⁾ New construction only, excludes remodels, additions, etc.

⁽²⁾ Excludes accessory dwelling units.

Source: Construction Industry Research Board.

The County's recently updated Housing Element is one of the 10 State-mandated "elements" or chapters of a local jurisdiction's General Plan. It identifies policies and programs to meet existing and projected housing needs for all segments of the community, including various household types, special needs populations, and all income levels of the jurisdiction. For the period 2023 to 2031, the County has been allocated 4,634 housing units at specific affordability levels to accommodate the County's projected housing needs. This allocation is the County's Regional Housing Needs Assessment. The Housing Element must identify "adequate sites" to accommodate this estimated growth. The County is also required to provide the programs, policies, and appropriate zoning to incentivize this growth.

It is important to note that, while the County may assist with the development of affordable housing through various programs and funding sources, it is not the direct role of the County to construct housing. Rather, the County is responsible for ensuring that adequate opportunities exist for housing development through zoning and by removing regulatory impediments to housing production.

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APPENDIX C
SUCCESSOR AGENCY AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY**

**BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Supervisors of the
Santa Cruz County Redevelopment Successor Agency
Santa Cruz, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying basic financial statements of the Santa Cruz County Redevelopment Successor Agency (the Agency), a fiduciary fund of the County of Santa Cruz (the County), as of and for the fiscal year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of June 30, 2024, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control relating to the County. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2024, or the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024, on our consideration of the County's internal control over financial reporting relating to the Agency and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

an opinion on the effectiveness of the County's internal control over financial reporting or on compliance relating to the Agency. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance relating to the Agency.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
October 28, 2024

BASIC FINANCIAL STATEMENTS

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024**

<u>ASSETS</u>	<u>2024</u>
Current Assets:	
Cash and investments	\$ 14,675,582
Total Current Assets	<u>14,675,582</u>
Noncurrent Assets:	
Restricted cash with fiscal agent	10,671
Prepaid insurance	917,364
Capital assets, net	<u>7,425,950</u>
Total Noncurrent Assets	<u>8,353,985</u>
Total Assets	<u>23,029,567</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Loss on refunding of debt	<u>186,601</u>
Total Deferred Outflows of Resources	<u>186,601</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable - claims	30,577
Interest payable	2,295,650
Long-term debt - due within one year	<u>9,986,442</u>
Total Current Liabilities	<u>12,312,669</u>
Long-Term Liabilities:	
Long-term debt - due in more than one year	<u>151,670,030</u>
Total Long-Term Liabilities	<u>151,670,030</u>
Total Liabilities	<u>163,982,699</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Gain on refunding of debt	<u>759,854</u>
Total Deferred Inflows of Resources	<u>759,854</u>
<u>NET POSITION</u>	
Net investment in capital assets	5,180,983
Restricted for:	
Debt service	12,533,477
Unrestricted	<u>(159,240,845)</u>
Total Net Position	<u>\$ (141,526,385)</u>

See accompanying notes to the basic financial statements.

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	<u>2024</u>
Additions:	
Incremental property taxes	\$ 16,464,909
Interest, dividends, and other	467,765
Other additions:	
Other revenue	<u>317,097</u>
 Total Additions	 <u>17,249,771</u>
 Deductions:	
Interest expense	5,762,674
Administrative expenses	113,671
Other payments	<u>493,529</u>
 Total Deductions	 <u>6,369,874</u>
 Change in Net Position	 10,879,897
 Net Position - Beginning	 <u>(152,406,282)</u>
 Net Position - Ending	 <u><u>\$ (141,526,385)</u></u>

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Santa Cruz County Redevelopment Successor Agency (the Agency), a fiduciary fund of the County of Santa Cruz (the County), have been prepared in conformity with accounting principles generally accepted in the United States of America as they apply to private purpose trust funds. Private purpose trust funds report resources of trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. This fund is used to report the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and activities of the Agency. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

A. *Reporting Entity*

The County was incorporated in 1850 under the provisions of Article II, Section 3 of the California State Constitution and is a general law county. The Redevelopment Agency was activated by the Board of Supervisors with the adoption of Ordinance No. 3736 on April 1, 1986. The Board of Supervisors established the Live Oak/Soquel Community Improvement Project on May 12, 1987, by Ordinance No. 3836, pursuant to the California Community Redevelopment Law. The Redevelopment Agency was dissolved per Assembly Bill X1 26 on January 31, 2012. On January 10, 2012, per Resolution No. 5-2012, the County elected to assume the duties of the Agency.

The Agency is governed by the County Board of Supervisors serving in a separate capacity as the governing board of the Agency.

B. *Basis of Accounting and Measurement Focus*

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenditures/expenses. The Agency's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Agency's Government-Wide Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These statements present summaries of Governmental Activities for the Agency.

The Government-Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position are included in the accompanying Statement of Fiduciary Net Position. The Statement of Changes in Fiduciary Net Position presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basis of Accounting and Measurement Focus* (Continued)

Government-Wide Financial Statements (Continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Fiduciary Net Position have been eliminated. The following interfund activities have been eliminated:

- Due to and from other funds
- Transfers in and out

C. *Cash, Cash Equivalents, and Investments*

The Agency maintains a cash balance in the County investment pool to meet current operating requirements. Cash in excess of current requirements is invested by the County Treasury in various interest-bearing securities and disclosed as part of the Agency's investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

D. *Restricted Cash and Investments for Debt Service*

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt.

E. *Interfund Transactions*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

F. *Capital Assets*

The Agency's assets are capitalized at historical cost or estimated historical cost. The Agency's policy has set the capitalization threshold for reporting capital assets at \$5,000 (for equipment and vehicles) and \$25,000 (for buildings and structures). Gifts or contributions of capital assets are recorded at fair market value when received.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and structures	10-50 years
Equipment and vehicles	3-15 years

The Agency had no infrastructure assets at June 30, 2024.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Deferred Outflows and Inflows of Resources*

The Agency recognizes deferred outflows of resources and deferred inflows of resources as prescribed by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. They are distinguished from assets and liabilities, and are defined as “a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period.”

H. *Long-Term Liabilities*

Long-term debt and other financed obligations are reported as liabilities in the Government-Wide Financial Statements. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed as incurred.

I. *Compensated Absences*

At June 30, 2024, there were no Agency liabilities for compensated absences, as the Agency no longer has any direct employees.

J. *Fiduciary Net Position*

In the Government-Wide Financial Statements, fiduciary net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Agency’s policy is to apply restricted net position first.

K. *Property Taxes*

All property taxes are levied, collected, and allocated by the County to the various taxing entities, including the Agency. All property taxes are determined annually on July 1 and attached as an enforceable lien on January 1. Secured property taxes are due in two installments on November 1 and February 1 and become delinquent, if unpaid, on December 10 and April 10, respectively. Property tax revenues include only property taxes resulting from increased assessed values within the boundaries of the Agency and are recognized in the fiscal year for which the taxes have been levied and apportioned to the Agency’s accounts by the County. The County bills and collects property taxes and remits them to the Agency.

Incremental property tax revenues represent excess taxes levied in the former redevelopment project area over that amount levied in the base year (the inception year of the former redevelopment project area). Starting January 2012, pursuant to Assembly Bill X1 26 and Assembly Bill 1484, the Agency must prepare Recognized Obligation Payment Schedules (ROPS), listing enforceable obligations of the Agency, for each six-month period. The County allocates to the Agency only the portion of incremental property tax revenues the Agency claims as necessary to pay the estimated installment payments on enforceable obligations on the ROPS for each six-month period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *Property Taxes* (Continued)

The Agency participates in the County “Teeter Plan” method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the Agency based upon assessments, not collections. Property tax revenue is recognized when it is available and measurable.

L. *Use of Estimates*

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. *Effect of New GASB Pronouncements*

During the fiscal year ended June 30, 2024, the Agency implemented the following standard:

GASB Statement No. 100 – *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*. The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. There was no effect on the Agency’s accounting and financial reporting as a result of implementing this standard.

N. *Future GASB Pronouncements*

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Agency has not fully judged the effect of the implementation of GASB Statement No. 101 as of the date of the financial statements.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for fiscal years beginning after June 15, 2024. The Agency has not fully judged the effect of the implementation of GASB Statement No. 102 as of the date of the financial statements.

GASB Statement No. 103 – *Financial Reporting Model Improvements* The requirements of this statement are effective for fiscal years beginning after June 15, 2025. The Agency has not fully judged the effect of the implementation of GASB Statement No. 103 as of the date of the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. *Summary of Deposit and Investment Balances*

Cash and investments consisted of the following at June 30, 2024:

	Restricted	Unrestricted	Total
Pooled cash and investments held by the County of Santa Cruz	\$ -	\$ 14,675,582	\$ 14,675,582
Cash with fiscal agent	10,671	-	10,671
Total	<u>\$ 10,671</u>	<u>\$ 14,675,582</u>	<u>\$ 14,686,253</u>

NOTE 2 – CASH AND INVESTMENTS (Continued)**B. Cash Held with the Santa Cruz County Treasury**

The Agency pools cash from all sources and all funds except cash and investments with fiscal agents with the County Treasurer so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The County investment pool activity is governed by the California Government Code and the County Investment Policy. The County Treasurer is responsible for managing the investment pool with deposits from the County, County school districts, and various special districts pursuant to California Government Code Section 53600. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily cash balance of each fund. Interest earned through June 30, 2024, was distributed on June 30, 2024.

For further information regarding custodial credit risk related to deposits, credit risk and concentration of credit risk, interest rate risk, and fair value measurements of the County Treasurer's investment pool, refer to the County's Annual Comprehensive Financial Report, which can be obtained by writing to the County Auditor-Controller's Office at 701 Ocean Street, Rm. 100, Santa Cruz, CA 95060 or from the County Auditor-Controller's Audited Financial Statements page at <https://www.santacruzcountyca.gov/Departments/Auditor-ControllerHome/FinancialStatements.aspx>

C. Restricted Cash Held with Fiscal Agent

Restricted cash with fiscal agents in the amount of \$10,671 at June 30, 2024, included certain amounts which are held by fiscal agents to be used for payment of long-term debt. These funds have been invested as permitted by applicable County ordinance and resolutions.

NOTE 3 – CAPITAL ASSETS

Capital assets of the Agency for the fiscal year ended June 30, 2024, are presented in the table below.

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Non-depreciable assets:				
Land	\$ 7,425,950	\$ -	\$ -	\$ 7,425,950
Total non-depreciable assets	7,425,950	-	-	7,425,950
Depreciable assets:				
Buildings and improvement	-	-	-	-
Total depreciable assets	-	-	-	-
Less: accumulated depreciation for:				
Buildings and improvement	-	-	-	-
Total accumulated depreciation	-	-	-	-
Total depreciable assets, net	-	-	-	-
Total capital assets, net	\$ 7,425,950	\$ -	\$ -	\$ 7,425,950

There was no depreciation expense for the fiscal year ended June 30, 2024.

NOTE 4 – RELATED PARTY TRANSACTIONS

County personnel provide management, accounting, computer support, and legal services to the Agency. Total charges for such services for the fiscal year ended June 30, 2024, were approximately \$118,052.

NOTE 5 – LONG-TERM DEBT

Activity in long-term debt for the fiscal year ended June 30, 2024, was as follows:

Description	Original Issue Amount	Beginning Balance July 1, 2023	Additions	Retirements	Ending Balance June 30, 2024	Amounts Due Within One Year	Amounts Due In More Than One Year
Tax Allocation Bonds							
2007 Refunding	\$ 10,755,000	\$ 8,355,000	\$ -	\$ (855,000)	\$ 7,500,000	\$ 905,000	\$ 6,595,000
2014 Refunding	38,880,000	6,390,000	-	(3,110,000)	3,280,000	3,280,000	-
Unamortized bond premium	4,140,092	240,467	-	(240,467)	-	-	-
2015 Series A Refunding	59,390,000	58,595,000	-	(1,630,000)	56,965,000	1,710,000	55,255,000
Unamortized bond premium	9,687,149	5,747,269	-	(484,357)	5,262,912	484,357	4,778,555
2015 Series B Refunding	19,860,000	15,855,000	-	(380,000)	15,475,000	390,000	15,085,000
Unamortized bond discount	(299,892)	(177,920)	-	14,995	(162,925)	(14,995)	(147,930)
2016 Refunding Series A	49,200,000	43,985,000	-	(970,000)	43,015,000	990,000	42,025,000
Unamortized bond premium	8,669,198	5,642,103	-	(433,460)	5,208,643	433,460	4,775,183
2017A Refunding Tax Allocation Bonds	35,140,000	26,955,000	-	(1,765,000)	25,190,000	1,815,000	23,375,000
Unamortized bond discount	(121,224)	(83,538)	-	6,380	(77,158)	(6,380)	(70,778)
Total Governmental Activities		\$ 171,503,381	\$ -	\$ (9,846,909)	\$ 161,656,472	\$ 9,986,442	\$ 151,670,030

2007 Taxable Subordinate Tax Allocation Refunding Bonds

On May 8, 2007, the former Redevelopment Agency issued Subordinate Tax Allocation Refunding Bonds, 2007 Taxable (Live Oak/Soquel Community Improvement Project Area) in the original amount of \$10,755,000. Interest from 5.208% to 5.495% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$7,500,000. Principal and interest paid for the current period was \$1,290,616.

2014 Tax Allocation Refunding Bonds

On January 28, 2014, the Agency issued 2014 Tax Allocation Refunding Bonds in the original amount of \$38,880,000. Interest from 3.00% to 5.00% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$3,280,000 and the unamortized bond premium was \$0. Principal and interest paid for the current period was \$3,351,750.

2015 Series A Tax Allocation Refunding Bonds

On May 12, 2015, the Agency issued 2015 Series A Tax Allocation Refunding Bonds in the original amount of \$59,390,000. Interest from 2.00% to 5.00% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$56,965,000 and the unamortized bond premium was \$5,262,912. Principal and interest paid for the current period were \$4,519,000.

2015 Series B Taxable Tax Allocation Refunding Bonds

On May 12, 2015, the Agency issued 2015 Series B Taxable Tax Allocation Refunding Bonds in the original amount of \$19,860,000. Interest from 0.65% to 4.25% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$15,475,000 and the unamortized bond discount was \$162,925. Principal and interest paid for the current period were \$1,027,219.

2016 Series A Tax Allocation Refunding Bonds

On July 6, 2016, the Agency issued 2016 Tax Allocation Refunding Bonds, Series A, in the original amount of \$49,200,000. Interest from 2.00% to 5.00% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$43,015,000 and the unamortized bond premium was \$5,208,643. Principal and interest paid for the current period were \$2,896,200.

NOTE 5 – LONG-TERM DEBT (Continued)**2017 Series A Tax Allocation Refunding Bonds**

On August 3, 2017, the Redevelopment Successor Agency issued 2017 Tax Allocation Refunding Bonds, Series A, in the original amount of \$35,140,000. Interest from 1.50% to 4.00% is paid semi-annually and principal payments are made by September 1. Payments are secured by the pledge of tax revenues. As of June 30, 2024, the total principal balance was \$25,190,000 and the unamortized bond discount was \$77,158. Principal and interest paid for the current period were \$2,705,731.

The debt service requirement to maturity for all tax allocation bonds combined, including interest, is as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 9,090,000	\$ 6,683,973	\$ 15,773,973
2026	9,120,000	6,278,279	15,398,279
2027	9,455,000	5,860,715	15,315,715
2028	9,820,000	5,421,095	15,241,095
2029	10,670,000	4,938,169	15,608,169
2030-2034	62,265,000	16,396,289	78,661,289
2035-2037	41,005,000	2,491,144	43,496,144
Total	151,425,000	\$ 48,069,664	\$ 199,494,664
Unamortized Discounts	10,471,555		
Unamortized Premiums	(240,083)		
Tax Allocation Bonds	<u>\$ 161,656,472</u>		

Pledges of Future Revenues

The Agency has pledged to the repayment of the 2007 Taxable Subordinate Refunding Bonds, the 2014 Refunding Bonds, the 2015 Refunding Bonds, Series A, the 2015 Taxable Refunding Bonds, Series B, the 2016 Refunding Bonds, Series A, and the 2017 Taxable Refunding Bonds, Series A (the "Bonds") Tax Revenues of the Agency's Live Oak/Soquel Community Improvement Project Area pursuant to the various applicable Indentures of Trust, through the final maturity of the Bonds on March 1, 2037, or early retirement of the Bonds, whichever occurs first. Tax Revenues consist of tax increment revenues allocated to the Agency with respect to the Live Oak/Soquel Community Improvement Project Area pursuant to Section 34183 of the California Health & Safety Code. Annual principal and interest payments on the bonds are expected to require 93.20% percent of tax revenues. The total principal and interest remaining to be paid on the Bonds is \$199,494,663.

At June 30, 2024, the total tax revenues for the current period were \$16,464,909, and the total debt service payment was \$15,790,516. During the period ended June 30, 2024, bond debt service payments required 95.90% of the total tax increment revenues. The ratio of tax revenues to the bonds debt service payments due during the period ended June 30, 2024 was 1.042709 (104.2709%).

NOTE 6 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Agency is covered under the County's insurance policies. The County is self-insured for its general and auto liability, workers' compensation, medical malpractice, and employees' dental coverage. The County has chosen to establish risk-financing internal service funds where funds are set aside for claim settlements associated with the above risk of loss up to certain limits. Excess coverage is provided by the California State Association of Counties (CSAC) Excess Insurance Authority (Insurance Authority), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The Insurance Authority is governed by a Board of Directors consisting of representatives of the member counties. Self-insurance limits per occurrence and Insurance Authority limits per year are presented in the County's basic financial statements. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years for the Agency.

County-wide information concerning risks, insurance policy limits, deductible, and designation for the year ended June 30, 2024, may be found in the notes of the County's basic financial statements.

NOTE 7 – ARBITRAGE REBATE PAYABLE

Section 148 of the Internal Revenue Code requires issuers of most types of tax-exempt bonds to rebate investment earnings in excess of bond yield to the United States Internal Revenue Service in installment payments made at least once every five years, with the final installment made when the last bond in the issue is redeemed.

The 2014 Tax Allocation Refunding Bonds are subject to this requirement. The Interim Arbitrage Rebate Review was completed March 4, 2024. There was no rebate due.

Future computations of the rebate requirement for the tax allocation bonds and new bond issues will be calculated by a consulting firm as the Agency management considers appropriate. Agency management, as of June 30, 2024, believes there are no arbitrage rebate liabilities.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The Agency is presently involved in certain matters of litigation that have arisen in the normal course of conducting Agency business. Agency management believes, based upon consultation with the Agency Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Agency. Additionally, Agency management believes that the Agency's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Commitments

There were no commitments as of June 30, 2024. As of June 30, 2024, in the opinion of Agency management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Agency.

NOTE 9 – RESTRICTED NET POSITION

Restricted net position is net position whose use is subject to constraints that are either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. At June 30, 2024, the Agency had \$0 restricted for capital projects and \$12,533,477 restricted for debt service.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2024, the date the financial statements were available to be issued.

OTHER REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board of Supervisors of the
Santa Cruz County Redevelopment Successor Agency
Santa Cruz, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Santa Cruz County Redevelopment Successor Agency (the Agency), a fiduciary fund of the County of Santa Cruz (the County), as of and for the fiscal year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the County's internal control over financial reporting (internal control) relating to the Agency as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control relating to the Agency. Accordingly, we do not express an opinion on the effectiveness the County's internal control relating to the Agency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free from material misstatement, we performed tests of the County's compliance relating to the Agency with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance relating to the Agency. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance relating to the Agency. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
October 28, 2024

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Santa Cruz County Redevelopment Successor Agency (the “Issuer”) in connection with the issuance of its Tax Allocation Refunding Bonds, 2025 Series B (“2025B Bonds”). The 2025B Bonds are being issued pursuant to an Indenture of Trust, dated as of November 1, 2025, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) (the “Indenture”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the 2025B Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

“*Annual Report Date*” means March 31 in each year, beginning March 31, 2026.

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

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

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Authority and the Issuer in connection with the issuance of the 2025B Bonds.

“*Participating Underwriter*” means the original underwriter of the 2025B Bonds required to comply with the Rule in connection with offering of the 2025B Bonds.

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

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2026 with the report for the 2024-25 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4. Not later than 5 days prior to the Annual Report Date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the Issuer may be submitted separately from the

balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Dissemination Agent (if other than the Issuer) shall have no duty or obligation to review such Annual Report.

(b) If the Issuer does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Issuer, in a timely manner, shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The audited financial statements of the Issuer may be included in the County of Santa Cruz's Annual Comprehensive Financial Report if no separate financial statement is prepared for the Issuer.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Issuer for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) aggregate assessed values of the Redevelopment Project in the same manner as provided in the Official Statement in Table No. 1;
- (ii) calculation of the coverage ratio for such Fiscal Year, including Additional Bonds, calculated in the same manner as provided in the Official Statement in Table No. 4 under the section entitled "Projected Tax Revenues and Debt Service Coverage"; and
- (iii) description of outstanding indebtedness payable from Tax Revenues issued during such Fiscal Year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Issuer shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2025B Bonds:

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

(b) The Issuer shall, or shall cause the Dissemination Agent (if not the Issuer) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing,

notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2025B Bonds under the Indenture.

(c) The Issuer acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a 2025B Bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the 2025B Bonds. The Issuer shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the Issuer obtains knowledge of the occurrence of any of these Listed Events, the Issuer will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Issuer will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental agency, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental agency having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

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

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

Section 7. Termination of Reporting Obligation. The Issuer’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2025B Bonds.

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

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

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2025B Bonds, or type of business conducted;

(b) *Compliance as of Issue Date.* The undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2025B Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion.* The proposed amendment or waiver either (i) is approved by holders of the 2025B Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2025B Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Issuer fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2025B Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

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

(a) The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the 2025B Bond holders or any other

party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2025B Bonds.

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 2025B Bonds, and shall create no rights in any other person or entity.

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

Date: _____

SANTA CRUZ COUNTY REDEVELOPMENT
SUCCESSOR AGENCY

By: _____
Treasurer

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

By: _____

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

Upon issuance of the 2025B Bonds, Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, proposes to render its final approving opinion with respect to the 2025B Bonds in substantially the following form:

[Delivery Date]

Santa Cruz County Redevelopment Successor Agency
Santa Cruz, California

Re: \$_____ Santa Cruz County Redevelopment Successor Agency Tax Allocation Refunding Bonds, 2025 Series B

Ladies and Gentlemen:

We have acted as bond counsel to the Santa Cruz County Redevelopment Successor Agency (the “Successor Agency”) in connection with the issuance of its Tax Allocation Refunding Bonds, 2025 Series B (the “2025B Bonds”) in the aggregate principal amount of \$_____. The issuance of the 2025B Bonds was authorized by the Successor Agency pursuant to Resolution No. 10-2025, adopted on February 11, 2025 (the “Resolution”), and by the Santa Cruz County Consolidated Redevelopment Successor Agency Oversight Board pursuant to Resolution No. 12-2025-CRSA-OB, adopted on March 4, 2025 (the “Oversight Board Resolution”). The 2025B Bonds will be issued pursuant to the Constitution and laws of the State of California, including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Bond Law”) and the Community Redevelopment Law, Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the “Redevelopment Law”). The 2025B Bonds are also being issued pursuant to an Indenture, dated as of November 1, 2025 (the “Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

In our capacity as bond counsel, we have reviewed originals or copies certified or otherwise identified to our satisfaction of applicable provisions of the Bond Law, the Redevelopment Law, the Indenture, the Resolution, the Oversight Board Resolution and such documents, certificates, opinions and other matters as we deemed necessary or appropriate to render the opinions set forth herein. In rendering the opinions set forth herein, we have relied upon certifications and representations of the Successor Agency with respect to certain material facts within the knowledge of the Successor Agency, without undertaking to verify the same by independent investigation. Further, we have assumed, but have not independently verified, the genuineness of all documents, certificates and opinions presented to us, including the signatures on such documents.

We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Further, we have assumed compliance with all covenants and agreements contained in the Indenture with respect to the 2025B Bonds. This opinion is limited to the laws of the State of California and federal law.

Based on the foregoing, and in reliance thereon, and subject to the limitations and qualifications herein specified, as of the date hereof, under existing law, we are of the opinion that:

1. The 2025B Bonds constitute valid and binding obligations of the Successor Agency, payable as to principal and interest from Tax Revenues as provided in the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the Successor Agency and, assuming the Indenture constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the Successor Agency, enforceable against the Successor Agency in accordance with its terms.

3. Assuming compliance after the date hereof with the covenants mentioned below and applicable requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the 2025B Bonds is excluded from the gross income of the owners thereof for federal income tax purposes.

4. Interest on the 2025B Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. We express no opinion regarding the applicability of the corporate alternative minimum tax to the adjusted financial statement income of any owner of the 2025B Bonds.

5. Interest on the 2025B Bonds is exempt from personal income taxes imposed by the State of California.

We express no opinion regarding other federal or State of California tax consequences caused by the ownership of, or the accrual or receipt of interest on, the 2025B Bonds.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2025B Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2025B Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2025B Bonds. Pursuant to the Indenture and the Tax Certificate being delivered by the Successor Agency, in connection with the issuance of the 2025B Bonds, the Successor Agency is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the 2025B Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in paragraphs 3 and 4 above, we have assumed the accuracy of and have relied upon such representations and the present and future compliance by the Successor Agency with such covenants.

Certain requirements and procedures contained or referred to in the Indenture or the Tax Certificate may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. With respect to the exclusion from gross income of the interest on the 2025B Bonds for federal income tax purposes, we express no opinion as to the effect of any change to any document pertaining to the 2025B Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance on the advice of counsel other than Norton Rose Fulbright US LLP.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the 2025B Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the 2025B Bonds and the Indenture are subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material, if any, relating to the 2025B Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further

based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or the State of California; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer

APPENDIX G

THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2025B Bonds, payment of principal, interest and other payments on the 2025B Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2025B Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2025B Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2025B Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2025B Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2025B Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2025B Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2025B Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

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