

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2016

NEW ISSUE

Moody's: "___"
See "RATING"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS – Tax Exemption."

\$ _____*
MT. DIABLO UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SERIES 2016 SPECIAL TAX REFUNDING BONDS

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

Authority for Issuance. The bonds captioned above (the "Bonds") are being issued under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), the Resolution of Issuance (as defined herein), and a Fiscal Agent Agreement dated as of May 1, 2016 (the "Fiscal Agent Agreement"), by and between the Mt. Diablo Unified School District (the "School District"), on behalf of itself and the Mt. Diablo Unified School District Community Facilities District No. 1 (the "Community Facilities District"), and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"). The Board of Education (the "Board") of the School District, acting as legislative body of the Community Facilities District, has authorized the issuance of the Bonds in an aggregate principal amount not to exceed \$21,000,000. See "THE BONDS – Authority for Issuance."

Security and Sources of Payment. The Bonds are secured by a first pledge of all of the Net Special Taxes (as defined herein), which consists primarily of special taxes levied on property within the Community Facilities District according to the Special Tax Formula approved by the Board and the eligible landowner voters in the Community Facilities District, and certain funds and accounts established under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

Use of Proceeds. The Bonds are being issued to (i) defease and refund two outstanding series of special tax bonds captioned "\$15,760,000 Mt. Diablo Unified School District Community Facilities District No. 1 (County of Contra Costa, California) Series 2005 Tax Revenue and Refunding Bonds" and "\$29,995,000 Mt. Diablo Unified School District Community Facilities District (County of Contra Costa, California) Series 2006 Special Tax Refunding Bonds," (ii) fund a reserve account for the Bonds, and (iii) fund costs of issuing and delivering the Bonds. See "FINANCING PLAN."

Bond Terms. Interest on the Bonds is payable on August 1, 2016, and semiannually thereafter on each February 1 and August 1. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. See "THE BONDS – General Bond Terms" and "APPENDIX D – DTC and the Book-Entry Only System."

No Redemption. The Bonds are not subject to redemption prior to maturity. See "THE BONDS – No Redemption."

Bond Insurance. The School District has applied for a municipal bond insurance policy and a debt service reserve policy and will decide whether to purchase such policies in connection with the pricing of the Bonds.

THE BONDS AND THE INTEREST THEREON OF ANY OF THE BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED IN THIS OFFICIAL STATEMENT), THE COMMUNITY FACILITIES DISTRICT, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED IN THIS OFFICIAL STATEMENT), THE COMMUNITY FACILITIES DISTRICT OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. OTHER THAN THE NET SPECIAL TAXES, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT A GENERAL OBLIGATION OF SCHOOL DISTRICT OR THE COMMUNITY FACILITIES DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE SCHOOL DISTRICT PAYABLE SOLELY FROM THE NET SPECIAL TAXES AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

MATURITY SCHEDULE

(see inside cover)

This 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. Investment in the Bonds involves risks that may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the School District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Certain legal matters also will be passed upon for the School District by the School District's General Counsel. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is serving as counsel to the Underwriters. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about May __, 2016.



BRANDIS TALLMAN LLC

The date of this Official Statement is: _____, 2016.

* 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 prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

\$ _____ Serial Bonds
(Base CUSIP† No.: 621209)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				

† Copyright 2016, American Bankers Association. CUSIP data herein are provided for convenience of reference only. None of the Community Facilities District, the School District or the Underwriters assumes any responsibility for the accuracy of CUSIP data.

* Preliminary; subject to change.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

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

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

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

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

School District Internet Site. The School District maintains a website; however, the information that it contains is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

MT. DIABLO UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Cheryl Hansen, *President*
Debra Mason, *Vice President*
Brian Lawrence, *Member*
Barbara Oaks, *Member*
Linda Mayo, *Member*

DISTRICT ADMINISTRATION

Dr. Nellie Meyer, *Superintendent*
Nance Juner, *Director of Fiscal Services*

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR,

Dale Scott & Company, Inc.
San Francisco, California

SPECIAL TAX CONSULTANT

Willdan Financial Services, Inc.
Temecula, California

FISCAL AGENT

U.S. Bank National Association,
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

REGIONAL MAP

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OFFICIAL STATEMENT

\$ _____ *

**MT. DIABLO UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SERIES 2016 SPECIAL TAX REFUNDING BONDS**

INTRODUCTION

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the “**Bonds**”) to be issued by the Mt. Diablo Unified School District (the “**School District**”) on behalf of itself and the Mt. Diablo Unified School District Community Facilities District No. 1 (the “**Community Facilities District**”).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside cover and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the definitions given in the Fiscal Agent Agreement (as defined below).

The School District. The School District was established on July 1, 1949 and provides elementary and secondary public education as well as continuing adult education in the central region of the County of Contra Costa (the “**County**”). The School District operates a total of 56 schools and centers, including five high schools, one continuation high school, four necessary small high schools, one independent study school, nine middle schools, 29 elementary schools, two special education schools, and two adult education centers. In addition, there are two charter schools within its jurisdiction. The boundaries of the School District include the cities of Concord, Pleasant Hill and Clayton, portions of Walnut Creek, Lafayette, Pittsburg and Martinez and the unincorporated areas of Bay Point and Pacheco. Approximately 31,734 students are enrolled in the School District for Fiscal Year 2015-16. For economic and demographic information regarding the area in and around the School District, see APPENDIX A.

The administration headquarters of the School District are located at 1936 Carlotta Dr., Concord, California. For further information on the School District see its Internet home page at <http://www.mdusd.org/>. *This Internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.*

The Community Facilities District. The Community Facilities District was formed and established by the Board of Education of the School District (the “**Board**”), which acts as the legislative body of the Community Facilities District, under the Mello-Roos Community Facilities Act of 1982, as amended (the “**Act**”), pursuant to a resolution adopted by the Board following a public hearing, and an election of registered voters at which the qualified electors of the Community Facilities District

* Preliminary; subject to change.

authorized the Community Facilities District to incur bonded indebtedness and approved the levy of special taxes. See “THE COMMUNITY FACILITIES DISTRICT – Formation and Background.”

Authority for Issuance of the Bonds. The Bonds are issued under the Act, certain resolutions adopted by the Board, including the Resolution of Issuance adopted on April 11, 2016 (the “**Resolution of Issuance**”), and a Fiscal Agent Agreement dated as of May 1, 2016 (the “**Fiscal Agent Agreement**”), by and between the School District, on behalf of itself and the Community Facilities District, and U.S. Bank National Association, as fiscal agent (the “**Fiscal Agent**”). See “THE BONDS – Authority for Issuance.”

Purpose of the Bonds. The proceeds of Bonds will be used primarily to defease and refund on a current basis two outstanding series of special tax bonds captioned “\$15,760,000 Mt. Diablo Unified School District Community Facilities District No. 1 (County of Contra Costa, California) Series 2005 Special Tax Revenue and Refunding Bonds” (the “**2005 Refunding Bonds**”) and “\$29,995,000 Mt. Diablo Unified School District Community Facilities District No. 1 (County of Contra Costa, California) Series 2006 Special Tax Refunding Bonds” (the “**2006 Refunding Bonds**,” and together with the 2005 Refunding Bonds, the “**Prior Bonds**”). The 2005 Refunding Bonds and the 2006 Refunding Bonds are currently outstanding in the aggregate principal amounts of \$10,105,000 and \$12,945,000, respectively.

The remaining proceeds of the Bonds will be used to (i) establish a debt service reserve account by depositing funds in such account in an amount equal to the Reserve Requirement (as defined below) or by purchasing a debt service reserve policy for the Bonds and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

No Redemption of Bonds Before Maturity. The Bonds are not subject to redemption before maturity. See “THE BONDS – No Redemption.”

Security and Sources of Payment for the Bonds. The Board annually levies special taxes on real property in the Community Facilities District (the “**Special Taxes**”) in accordance with the Act, the Ordinance (as hereinafter defined), the Fiscal Agent Agreement and the Special Tax Formula for the Community Facilities District (the “**Special Tax Formula**”). The Bonds are secured by a first pledge of all of the Net Special Taxes and certain funds and accounts established under the Fiscal Agent Agreement.

The Fiscal Agent Agreement defines “**Net Special Taxes**” to mean, after the Administrative Expense Requirement is funded to the Administrative Expense Fund (as such terms are hereinafter defined) pursuant to the Fiscal Agent Agreement, the proceeds of the Special Taxes received by the School District, including any scheduled payments, interest thereon, collections of any delinquent Special Taxes, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. The Fiscal Agent Agreement further provides that “Net Special Taxes” does not include any penalties or costs of collecting delinquent Special Taxes collected in connection with delinquent Special Taxes.

See “SECURITY FOR THE BONDS.”

Debt Service Reserve Fund. A portion of the proceeds of the Bonds will fund a deposit of \$_____ to satisfy the “**Reserve Requirement**” (as defined below); in the alternative, the Reserve Requirement may be met with the deposit of a debt service reserve policy. See “SECURITY FOR THE BONDS – Reserve Fund.”

Application for Bond Insurance and Reserve Account Policy. The School District has made application for bond insurance on the Bonds and for the provision of a debt service reserve account policy. Should the School District select a bond insurer and reserve account policy provider, then the School District will release such information prior to the offering of the Bonds, and the Official Statement, including the summary of legal documents included herein, will be revised to reflect the terms of the commitment to issue such policies.

Covenant to Foreclose. The School District has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE BONDS – Covenant to Foreclose.”

Property Ownership and Development Status. The majority property within the Community Facilities District has been fully developed as detached single-family homes and is subject to the Special Tax levy. See “THE COMMUNITY FACILITIES DISTRICT.”

Risk Factors Associated with Purchasing the Bonds. Investment in the Bonds involves risks that may not be appropriate for some investors. See “BOND OWNERS’ RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

FINANCING PLAN

Refunding Plan

The 2005 Refunding Bonds were issued in June 2005, in the original principal amount of \$15,760,000, for the purpose of refinancing on a current basis the Mt. Diablo Unified School District Community Facilities District No. 1, Special Tax Bonds, Series 1995 (the “**1995 Bonds**”) and to finance additional facilities for the Community Facilities District. The 1995 Bonds were issued to fund rehabilitation and improvement of certain school facilities of the School District.

The 2006 Refunding Bonds were issued in June 2006, in the original principal amount of \$29,995,000, for the purpose of refunding on a current basis a portion of the Mt. Diablo Unified School District Community Facilities District No. 1, Series 1996 Special Tax Bonds (the “**1996 Bonds**”). The 1996 Bonds were issued to refund the Mt. Diablo Unified School District Community Facilities District No. 1 Special Tax Bonds, Series 1990 and to finance the acquisition and construction of certain school facilities.

The 2005 Refunding Bonds and the 2006 Refunding Bonds are currently outstanding in the aggregate principal amount of \$10,105,000 and \$12,945,000, respectively, and will be paid and redeemed in full on August 1, 2016, at a redemption price equal to the respective principal amounts thereof, together with interest coming due and payable on the date of redemption thereof, without premium.

To accomplish the refunding of the Prior Bonds, a portion of the net proceeds of the Bonds, together with certain other funds on hand with respect to the Prior Bonds, will be transferred to the U.S. Bank National Association, as escrow agent (the “**Escrow Agent**”), for deposit in an escrow fund (the “**Escrow Fund**”) to be established under an Escrow Agreement, by and between the School District and the Escrow Agent (the “**Escrow Agreement**”).

The Escrow Agent will invest a portion of the amounts on deposit in the Escrow Fund in certain Treasury Securities – State and Local Government Series, and the remainder in cash, uninvested. These funds will be sufficient to pay and redeem the Prior Bonds in full on the Redemption Date, and defease the Prior Bonds as of the date of delivery of the Bonds. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

The moneys held by the Escrow Agent in the Escrow Fund under the Escrow Agreement are pledged solely to the payment and redemption of the Prior Bonds and will not be available for payment of debt service on the Bonds.

Estimated Sources And Uses Of Funds

The estimated proceeds from the sale of the Bonds, together with other available funds, will be deposited into the following funds established under the Fiscal Agent Agreement or the Escrow Agreement, as applicable:

SOURCES

Principal Amount of Bonds	\$
<i>Plus/Minus: Original Issue Premium/Discount</i>	
<i>Plus: Funds Related to 2005 Refunding Bonds</i>	
<i>Plus: Funds Related to 2006 Refunding Bonds</i>	
<i>Total Sources</i>	\$

USES

Deposit into Escrow Fund [1]	\$
[Deposit into Reserve Fund [2]]	
[Deposit into Administrative Expense Fund [3]]	
Deposit into Costs of Issuance Fund [4]	
Underwriters' Discount	
<i>Total Uses</i>	\$

[1] Will be used to defease and refund the Prior Bonds. See "-Refunding Plan" above.

[2] Equal to the Reserve Requirement with respect to the Bonds as of their date of delivery.

[3] Will be used to satisfy the Administrative Expense Requirement.

[4] Includes, among other things, the fees and expenses of Bond Counsel, School District Counsel and Disclosure Counsel, Underwriters' Counsel, premium for bond insurance and a debt service reserve policy, if any, the cost of printing the Preliminary and final Official Statements, fees and expenses of the Fiscal Agent and Escrow Agent, Municipal Advisor and Special Tax Consultant.

THE BONDS

This section generally describes the terms of the Bonds contained in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in this section are defined in APPENDIX C.

Authority for Issuance

General. The Bonds are issued under the Act, the Resolution of Issuance and the Fiscal Agent Agreement. Under the Resolution of Issuance, the Board as authorized the issuance of the Bonds in a maximum principal amount of \$21,000,000.

Community Facilities District Proceedings. As required by the Act, the Board has taken certain actions (among others) with respect to establishing the Community Facilities District and authorizing issuance of the Bonds, including, following a noticed public hearing, on June 7, 1988, the Board adopted Resolution No. 217, which established the Community Facilities District and authorized the levy of special taxes to fund the Facilities and subsequently reconfirmed including pursuant to Resolution No. 194, adopted by the Board on May 23, 1989 and Resolution No. 200, adopted by the Board June 6, 1989. Subsequently, on August 7, 1990, the Board adopted Ordinance No. 1:8-7-90-91 (the "**Ordinance**") levying the Special Taxes within the Community Facilities District

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The Bonds will be dated their date of delivery (the “**Dated Date**”) and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple of \$5,000.

Calculation of Interest. The Bonds will bear interest at the rates set forth on the inside cover page of this Official Statement, payable semiannually on each February 1 and August 1, commencing August 1, 2016 (each, an “**Interest Payment Date**”), until the principal sum of the Bonds has been paid, provided, however, that if at the maturity date of any Bond (or if the same is redeemable and is duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full, in accordance with the terms of the Fiscal Agent Agreement, such Bonds will then cease to bear interest.

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable from the Interest Payment Date next preceding the date of authentication, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the date upon which the Bonds are delivered to the original purchaser thereof (the “**Closing Date**”), provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

DTC and Book-Entry Only System. The Depository Trust Company (“**DTC**”) will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). See APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Payments of Interest and Principal. *For so long as DTC is used as depository for the Bonds, principal of and interest payments on the Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the Bonds, for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC.*

The principal of the Bonds on the Bonds is payable by check in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

Interest on the Bonds (including the final interest payment upon maturity) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at the registered Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer

(i) to the Depository (so long as the Bonds are in book-entry form), or

(ii) to an account within the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of

Bonds, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner.

Record Date. The term “**Record Date**” is defined in the Fiscal Agent Agreement to mean the 15th day of the month (whether or not such day is a Business Day) next preceding the month of the applicable Interest Payment Date.

No Redemption

The Bonds are not subject to redemption prior to maturity.

No Issuance of Additional Bonds Except for Refunding

The School District may from time to time issue additional bonds or other indebtedness payable from Special Taxes but only to refund and discharge the Bonds or any portion thereof in accordance with the Act. Any such additional bonds or other indebtedness shall constitute bonds under the Fiscal Agent Agreement and shall be secured by a lien on the Net Special Taxes and funds pledged for the payment of the Bonds thereunder on a parity with all other Outstanding Bonds under the Fiscal Agent Agreement.

Registration, Transfer and Exchange

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

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

No transfers of Bonds will be required to be made between a Record Date and the succeeding Interest Payment Date.

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

Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same series and maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the School District. The Fiscal Agent shall collect

from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds will be required to be made between a Record Date and the succeeding Interest Payment Date.

The provisions set forth in APPENDIX C regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX D – DTC and the Book-Entry Only System."

DEBT SERVICE SCHEDULE

The following table presents the annual debt service on the Bonds.

Year Ending August 1	Principal	Interest	Total Debt Service
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
Total:			

SECURITY FOR THE BONDS

This section generally describes the security for the Bonds set forth in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in the section are defined in APPENDIX C.

Pledge of Special Taxes

General. Under the Act and the Fiscal Agent Agreement, the Bonds shall be secured by a first pledge of all of the Net Special Taxes and all moneys deposited in the Bond Fund and the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund.

The Net Special Taxes and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement.

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

Net Special Taxes. The Fiscal Agent Agreement defines “**Net Special Taxes**” to mean, after the Administrative Expense Requirement is funded to the Administrative Expense Fund pursuant to the Fiscal Agent Agreement, the proceeds of the Special Taxes received by the School District, including any scheduled payments, interest thereon, collections of any delinquent Special Taxes, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. The Fiscal Agent Agreement further provides that “**Net Special Taxes**” does not include any penalties or costs of collecting delinquent Special Taxes collected in connection with delinquent Special Taxes.

Special Taxes. The Fiscal Agent Agreement defines “**Special Taxes**” as the Special Taxes levied within the District pursuant to the Act, the Special Tax Formula, the Ordinance and the Fiscal Agent Agreement.

Administrative Expense Requirement. The Fiscal Agent Agreement defines “**Administrative Expenses Requirement**” to mean, for Fiscal Year 2015-16, \$69,931.40, and thereafter, an amount equal to the Administrative Expense Requirement for the prior Fiscal Year increased by ____%.

Limited Obligation

All obligations of the School District under the Fiscal Agent Agreement and the Bonds are special obligations of the School District, payable solely from the Net Special Taxes and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the School District (except to the limited extent set forth in the Fiscal Agent Agreement), the Community Facilities District or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Special Taxes

Levy of Special Taxes. Under the Fiscal Agent Agreement, the School District is required to comply with all requirements of the Act so as to assure the timely collection of Special Taxes, including without limitation, the enforcement of delinquent Special Taxes.

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

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

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

Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Special Tax Formula, no assurance can be given that, if the County terminates its policy of collecting taxes under the Teeter Plan and Special Tax delinquencies occur, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds. See “– Covenant to Foreclose – Teeter Plan” below for discussion of the Teeter Plan within the County.

Manner of Collection. The Special Tax will be collected in the same manner and at the same time in the same installments as ordinary ad valorem property taxes are payable, and will have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property. In the event of any delinquency in the payment of the Special Tax, the School District may order the institution of a superior court action to foreclose the lien therefor within specific time limits.

The Fiscal Agent Agreement provides that, notwithstanding the foregoing, an Authorized Officer may in his discretion cause the collection of any Special Taxes by direct, first class mail billing to the

then owner of each parcel so owned in lieu of billing for such Special Taxes in the same manner as general taxes. Such direct mail billing shall be made not later than November 1 of the Fiscal Year and shall direct the owner of the property affected to pay the Special Taxes directly to the School District in two equal installments, the first of which will be due and delinquent if not paid on December 10 and the second of which may be paid with the first and which, in any event, will be due and delinquent if not paid on April 10 of the Fiscal Year. Any such Special Taxes so billed shall have the same priority and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Special Tax Formula

General. The Special Tax is levied and collected according to the Special Tax Formula, which provides the means by which the Board may annually levy the Special Taxes within the Community Facilities District. Under the Special Tax Formula, the Special Tax is levied equally against all taxable property within the Community Facilities District based on the number of taxable units assigned to such property under the Special Tax Formula. The number of taxable units assigned to such property depends upon the land use of such property on a per acre or parcel basis (such units hereinafter referred to as, "**Taxable Units**").

The following is a synopsis of the provisions of the Special Tax Formula, which should be read in conjunction with the complete text of the Special Tax Formula which is attached as "APPENDIX B." The meanings of the defined terms used in this section are as set forth in APPENDIX B.

This section provides only a summary of the Special Tax Formula and is qualified by more complete and detailed information contained in the entire Special Tax Formula attached as APPENDIX B.

Taxable Property. The Special Tax Formula identifies ten categories of real property within the Community Facilities District and designates Taxable Units to each parcel or acre of real property within each category. Six of the ten categories are subject to the annual levy and collection of the Special Tax based on such units and consist of the following (collectively, "**Taxable Property**"):

- "*Residential - Single Family*" is assigned one Taxable Unit per parcel; defined in the Special Tax Formula to include vacant parcels assessed as residential, single family, and condominiums, cluster homes, and townhouses.
- "*Residential - Multiple Family*" is assigned one Taxable Unit for each half acre or portion thereof; defined in the Special Tax Formula to include land used for multiple family uses, including duplexes, triplexes, and fourplexes.
- "*Commercial Property including Hotels and Motels*" is assigned four Taxable Units per acre.
- "*Industrial Property*" is assigned four Taxable Units per acre.
- "*Agricultural Residential (with a Residence)*" is assigned one Taxable Unit per parcel; defined in the Special Tax Formula to consist of agricultural land a parcel of land with a residence.
- "*Municipally Owned, Taxable*" is assigned one Taxable Unit per parcel.

Exempt Property. The Special Tax Formula identifies the following four categories of real property within the Community Facilities District based on use codes assigned thereto by the Contra Costa County Tax Assessor which are exempt from the annual levy of the Special Tax:

- “Agricultural (without a Residence)”
- “Governmental, Institutional”
- “Tax Exempt Uses”
- “Unbuildable Parcels”

In addition, the Special Tax Formula exempts the following categories of real property from the annual levy of the Special Tax:

- “Agricultural Land” consisting of agricultural zoned lands without a residence thereon.
- “Public and Charitable Group-Owned Land” consisting of real property that is publicly owned, open spaces, common areas, churches, schools, hospital and other similar property which meets the exemption of the levy of *ad valorem* property taxes and no residential dwellings exist thereon.
- “Senior Citizen Exemption” consisting of real property owned by a citizen that is at least 65 years or age who has applied and qualified for an annual exemption; this exemption and the Taxable Units attributable to the related real property is sometimes referred in this Official Statement as, the “**Senior Exemption**” and the “**Senior Exemption Taxable Units**,” respectively.

Maximum Special Tax. Under the Special Tax Formula, the maximum rate that may be levied against taxable real property within the Community Facilities District is \$67.00 per Taxable Unit annually.

The amount of the Special Tax to be levied and collected in future years will be dependent upon then-existing land uses and rate categories, the tax rates imposed, and the level of delinquent Special Tax installments. The School District expects that real estate development will remain constant within the District and that the tax base will stay constant, and therefore is projecting no new Taxable Units will be added to the tax roll annually. The actual level of development activity in the future will be dependent on a number of factors, including general economic conditions and future governmental policies.

Covenant to Foreclose

Foreclosure Under the Act. Pursuant to Section 53356.1 of the Act, the School District covenants in the Fiscal Agent Agreement with and for the benefit of the Owners to order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as described in the following paragraph.

Pursuant to the Fiscal Agent Agreement, on or about February 15 and June 15 of each Fiscal Year, an Authorized Officer shall compare the amount of Special Taxes to be collected on the December 10 and April 10 installments of the secured property tax bills to the amount of Special Taxes actually received by the School District in said installments, and proceed as set forth below:

Individual Delinquencies - Single Parcels. If the Authorized Officer determines that any single parcel subject to the Special Tax in the Community Facilities District is delinquent in the payment of 4 or more installments of the Special Taxes then the Authorized Officer shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Community Facilities District within 90 days of a June 15th determination against each such parcel.

Individual Delinquencies - Single Owner of Multiple Parcels. If the Authorized Officer determines that any single owner of multiple parcels in the Community Facilities District is delinquent in the payment of Special Taxes in the amount of \$10,000 or more, then the Authorized Officer shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the delinquent property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the School District within 90 days of a June 15th determination against each parcel owned by such delinquent property owner.

Aggregate Delinquencies. If the Authorized Officer determines that the total amount of delinquent Special Tax for the prior Fiscal Year (after both the first and second installments) for the Community Facilities District (including the total of delinquencies described in the immediately preceding paragraph), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the School District shall notify or cause to be notified all property owners who are then delinquent in the payment of Special Taxes and demand immediate payment of the delinquency within 45 days of a June 15th determination, and shall commence foreclosure proceedings within 90 days of a June 15th determination against each parcel in the Community Facilities District with a Special Tax delinquency.

However, the School District may elect not to go forward on foreclosure proceedings if (i) the School District has received payment of otherwise delinquent Special Taxes from any source, including without limitation payments by the County under its Teeter Plan (California Revenue & Taxation Code Sections 4701 et seq.) or the sale of delinquent Special Tax Receivables, and (ii) the Reserve Fund is fully funded.

Teeter Plan. The County and the other political subdivisions within its boundaries operate under the provisions of Sections 4701 through 4717, inclusive, of the Revenue and Taxation Code of the State, commonly referred to as the “**Teeter Plan**,” with respect to property tax collection and disbursement procedures. These sections provide an alternative method of apportioning secured taxes whereby agencies levying taxes through the County roll receive from the County 100% of their taxes at the time they are levied, notwithstanding any delinquencies. The County treasury’s cash position (from taxes) is insured by a special tax loss reserve fund accumulated from delinquent penalties.

The Board of Supervisors of the County may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County if the rate of secured tax and assessment delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

The Special Taxes for the Community Facilities District are intended to be collected pursuant to the procedures described above. Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the Community Facilities District meet the Teeter Plan requirements, the Community Facilities District expects to receive 100% of the annual special taxes levied for the Community Facilities District without regard to actual collections in the Community Facilities District. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures. See "THE COMMUNITY FACILITIES DISTRICT - Special Tax Collection and Delinquency Rates" herein.

Covenant Not to Reduce Special Taxes

The School District covenants in the Fiscal Agent Agreement not to conduct or consent to change proceedings under the Act to modify the Special Tax Formula to reduce the maximum Special Taxes that may be levied in the Community Facilities District. However, the School District may levy the Special Taxes at a rate below the maximum Special Tax rate set forth in the Special Tax Formula so long as the covenants set forth in the Fiscal Agent Agreement above are met.

Special Tax Fund

Deposits to and Disbursements from Special Tax Fund. The School District will cause all Special Taxes received by the School District to be deposited into the Special Tax Fund established under, and to be held by the Fiscal Agent in accordance with the terms of, the Fiscal Agent Agreement (the "**Special Tax Fund**").

From time to time as needed to pay the obligations of the Community Facilities District, but no later than 15 Business Days before each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts to the following accounts in the following order of priority:

(i) to the Administrative Expense Fund established and maintained by the Fiscal Agent under the Fiscal Agent Agreement (the "**Administrative Expense Fund**") an amount, up to the Administrative Expense Requirement, that an Authorized Officer directs the Fiscal Agent in writing to deposit in the Administrative Expense Fund for payment of Administrative Expenses;

(ii) to the Bond Fund established and maintained by the Fiscal Agent under the Fiscal Agent Agreement (the "**Bond Fund**"), such that the amount in the Bond Fund equals the principal (including any sinking payment), and interest due on the Bonds on the next Interest Payment Date;

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

(iv) to the Administrative Expense Fund the amount of Administrative Expenses in excess of the amount previously transferred thereto as described in paragraph (i) above, as directed in writing by an Authorized Officer.

The Fiscal Agent Agreement provides that amounts the Authorized Officer directs the Fiscal Agent to transfer from time to time to the Administrative Expense Fund may not exceed, in any Fiscal Year, the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses.

The Fiscal Agent Agreement further provides that at any time following the deposit of Special Taxes in an amount sufficient to make payment of all of the foregoing deposits for the current Bond Year, any amounts in excess of such amounts remaining in the Special Tax Fund shall, upon the written direction of an Authorized Officer, be transferred by the Fiscal Agent to an account established by the Fiscal Agent known as the Community Facilities District Account to be used for any lawful purpose under the Act and released upon the written direction of an Authorized Officer.

In the absence of such written direction, all amounts remaining in the Special Tax Fund on the first day of the succeeding Bond Year shall be retained in the Special Tax Fund and applied to the succeeding Bond Year's Annual Debt Service; provided however, that in no event shall such amounts be invested at a yield in excess of the yield on the Bonds.

Administrative Expense Fund

Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the District or its order upon receipt by the Fiscal Agent of requisition of an Authorized Officer stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense and the nature of such Administrative Expense.

Bond Fund

Bond Fund Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners the principal and interest then due and payable on the Bonds such payments to be made in the priority listed in the second succeeding paragraph of this section. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer pursuant to the Fiscal Agent Agreement shall be used to pay the principal of and interest on the Bonds prior to the use of any other amounts in the Bond Fund for such purpose.

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

Reserve Fund

Pursuant to the Fiscal Agent Agreement, the Trustee will establish as a separate fund to be held by the Fiscal Agent, designated as the "Mt. Diablo Unified School District Community Facilities District No. 1 Series 2016 Special Tax Refunding Bonds, Reserve Fund" (the "**Reserve Fund**"). Moneys in the Reserve Fund will be held in trust by the Fiscal Agent for the benefit of the Owners as a reserve for the payment of principal of, and interest on, the Bonds and shall be subject to a lien in favor of the Owners.

Use of Reserve Fund. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds or, in accordance with the provisions of this section, for the purpose of redeeming Bonds.

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

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

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

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

Definition of Reserve Requirement. The Fiscal Agent Agreement defines “**Reserve Requirement**” to mean, as of any date of calculation, an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) 125% of the then average Annual Debt Service, or (iii) 10% of the initial principal amount of the Bonds and Parity Bonds issued under the Fiscal Agent Agreement. As of the Closing Date, the Reserve Requirement is \$_____. The Reserve Requirement for the Bonds may be satisfied by the delivery of a debt service reserve policy with respect to the Bonds on the Closing Date. See “FINANCING PLAN – Estimated Sources and Uses of Funds.”

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to the written direction of an Authorized Officer filed with the Fiscal Agent in accordance with the Fiscal Agent Agreement. See “APPENDIX C – Summary of Certain Provisions of the Fiscal Agent Agreement” for a definition of “Permitted Investments” and other restrictions on the investment of moneys in the funds and accounts held under the Fiscal Agent Agreement.

THE COMMUNITY FACILITIES DISTRICT

Description and Location

General. The boundaries of the Community Facilities District are coterminous with the boundaries of the School District and consists of approximately 75,014 parcels. See APPENDIX A for certain demographic and economic information on the area in and surrounding the Community Facilities District. The boundary map of the Community Facilities District is attached as APPENDIX G.

Development Status. The Taxable Property in the Community Facilities District has been fully developed and consists primarily of residential single-family homes on a Taxable Units basis.

Net Taxable Parcels and Units. The property in the Community Facilities District currently contains approximately 73,265 parcels that are subject to the annual levy of the Special Tax pursuant to the Special Tax Formula totaling approximately 97,409 Taxable Units.

Special Tax Revenues and Projected Debt Service Coverage

2015-16 Special Tax Levy by Taxable Units. The table below summarizes the Fiscal Year 2015-16 Special Tax levy by Taxable Units as set forth in the Special Tax Formula.

**Table 1
Fiscal Year 2015-16 Special Tax Levy by Tax Class**

Land Use Categories	Parcels	Taxable Units per Parcel or Acre	Taxable Units	Special Tax Levy	Percentage of Total Special Tax Levy
Residential, Single Family Units	69,506	1 per parcel [1]	69,543	\$4,659,381	71.39%
Residential, Multi-Family Units	1,257	1 per 1/2 acre	2,137	143,179	2.20
Commercial	1,566	4 per acre	9,947	666,449	10.21
Industrial	544	4 per acre	14,849	994,883	15.24
Agricultural with a Residence	202	1 per parcel	202	13,534	0.21
Agricultural without a Residence	--	None	--	--	--
Governmental, Institutional [2]	144	None	685	45,895	0.70
Municipally Owned, Taxable	46	1 per parcel	46	3,082	0.05
Tax Exempt Uses	5	None	--	--	---
Unbuildable Parcels [3]	217	None	--	--	---
Subtotal	73,487		97,409	\$6,526,403	100.00%
Senior Exemptions [4]	1,509	1 per parcel	1,492	--	--
Total	75,014	--	98,901	\$6,526,403	100.00%

[1] Some residential parcels contain several single family residential dwellings, requiring more than one Taxable Unit per parcel.

[2] The Act allows the Community Facilities District to continue to levy the Special Tax on properties that change from private ownership to public ownership pursuant to Government Code Section 53317.

[3] As determined by the County Assessor.

[4] An exemption from the special tax is available, upon annual application, to property owners showing evidence that the applicant is 65 years or older and owns and occupies the subject residential unit. See "SECURITY FOR THE BONDS - Special Tax Formula."

Source: Willdan Financial Services, Inc.

Taxable Units and Special Tax Levy History. The table below shows historical Taxable Units and the Special Tax levy within the Community Facilities District for Fiscal Year 1990-91 through Fiscal Year 2015-16.

**Table 2
History of Taxable Units and Special Tax Levy
Fiscal Years 1990-91 through 2015-16**

Fiscal Year Ending June 30	Parcels [1]	Total Taxable Units [1]	Senior Exemption Taxable Units [2]	Tax Revenue Associated with Senior Exemption [2][3]	Special Tax Levy
1991	68,946	94,601	5,029	\$336,943	\$6,338,267
1992	68,272	93,848	5,711	382,637	6,287,816
1993	68,390	99,348	5,769	386,523	6,656,316
1994	68,309	99,146	--	--	6,642,782
1995	68,310	97,475	--	--	6,530,825
1996	69,124	97,964	5,967	399,789	6,563,588
1997	69,776	98,774	--	--	6,617,858
1998	69,626	98,350	6,320	423,440	6,589,450
1999	69,149	97,794	7,010	469,670	6,552,198
2000	69,285	97,621	7,216	483,472	6,540,607
2001	69,383	97,681	7,194	481,998	6,544,627
2002	69,558	98,019	7,304	489,368	6,567,273
2003	70,559	99,715	7,264	486,688	6,680,905
2004	70,942	97,705	--	--	6,546,235
2005	71,307	100,190	--	--	6,712,730
2006	71,650	98,306	--	--	6,586,502
2007	72,062	98,668	--	--	6,610,756
2008	73,511	101,265	--	--	6,784,755
2009	74,036	100,217	--	--	6,714,539
2010	74,036	100,312	--	--	6,720,904
2011	74,135	100,441	--	--	6,729,547
2012	74,226	103,964	147	9,849	6,965,588
2013	74,125	98,308	541	36,247	6,586,636
2014	73,970	98,163	706	47,302	6,576,921
2015	73,794	97,989	987	66,129	6,565,196
2016	73,264	97,409	1,492	99,964	6,526,403

[1] Based on data provided by the School District and the Contra Costa County Auditor-Controller.

[2] Data provided by School District for the Fiscal Years 1990-91 through 2010-11 had incomplete information for Senior Exemptions.

[3] Senior Exemptions data for Fiscal Years 2011-12 to 2015-16 provided by Willdan Financial Services, Inc. based on applications provided by the School District.

Source: Mt. Diablo Unified School District, Contra Costa County Auditor-Controller, and Willdan Financial Services, Inc.

Debt Service Coverage. The table below presents (i) annual debt service coverage for the special tax bonds of the Community Facilities District outstanding in Fiscal Years 2005-06 through 2015-16 based on actual Special Taxes levied in the Community Facilities District and (ii) projected annual debt service coverage for the Prior Bonds without giving effect to the proposed redemption thereof based on Special Taxes levied at the maximum Special Tax rate under the Special Tax Formula for Fiscal Years 2016-17 through 2025-26.

**Table 3
Annual Debt Service Coverage
Fiscal Years 2005-06 through 2025-26**

Annual Debt Service on Outstanding Special Tax Bonds							Special Tax Revenues as Percentage of Debt Service*
Fiscal Year Ending August 1	Fiscal Year Special Tax Revenues at Maximum Rate [1]	2002 Refunding Bonds [2]	2005 Refunding Bonds	2006 Refunding Bonds	Bonds*	Total All Series of Outstanding Bonds*	
2006						\$3,314,440.80	199%
2007	\$6,586,502.00	\$2,207,197.50	\$1,107,243.30	\$ --	\$ --	6,133,817.76	108%
2008	6,610,756.00	2,212,632.50	1,095,048.76	2,826,136.50	--	6,123,373.76	111%
2009	6,784,755.00	2,213,732.50	1,086,848.76	2,822,792.50	--	6,119,391.26	110%
2010	6,714,539.00	2,215,287.50	1,088,298.76	2,815,805.00	--	6,107,780.02	110%
2011	6,720,904.00	2,221,907.50	1,084,048.76	2,801,823.76	--	6,110,077.52	110%
2012	6,729,547.00	2,224,217.50	1,067,098.76	2,818,761.26	--	4,311,821.27	162%
2013	6,965,588.00	434,161.25	1,065,148.76	2,812,511.26	--	3,880,847.52	170%
2014	6,586,636.00	--	1,067,023.76	2,813,823.76	--	3,889,847.52	169%
2015	6,576,921.00	--	1,077,523.76	2,812,323.76	--	3,884,272.52	169%
2016	6,565,196.00	--	1,076,261.26	2,808,011.26	--	3,886,660.02	168%
2017	6,526,403.00	--	1,098,511.26	2,788,148.76	--	3,896,440.02	167%
2018	6,526,403.00	--	1,203,491.26	2,692,948.76	--	3,900,915.02	167%
2019	6,526,403.00	--	1,192,966.26	2,707,948.76	--	3,892,250.02	168%
2020	6,526,403.00	--	1,180,856.26	2,711,393.76	--	3,897,246.26	167%
2021	6,526,403.00	--	1,162,121.26	2,735,125.00	--	1,763,686.26	370%
2022	6,526,403.00	--	1,561,921.26	201,765.00	--	1,754,266.26	372%
2023	6,526,403.00	--	1,554,321.26	199,945.00	--	1,966,126.26	332%
2024	6,526,403.00	--	1,763,221.26	202,905.00	--	1,966,615.00	332%
2025	6,526,403.00	--	1,766,190.00	200,425.00	--	207,550.00	3,144%
2026	6,526,403.00	--	--	207,550.00	--	209,000.00	--
	6,526,403.00	--	--	209,000.00	■	209,000.00	--

- [1] Maximum Special Tax rate is \$67 per Taxable Unit. The annual Special Tax levy in Fiscal Year 2016-17 and future years assumes no change to the tax rate, Taxable Units, and Senior Exemptions in effect for the Special Tax levy of Fiscal Year 2015-16.
- [2] Actual annual debt service on the Community Facilities District's Series 2002 Special Tax Refunding Bonds (the "2002 Refunding Bonds"). The 2002 Refunding Bonds maturing August 1, 2012, to August 1, 2022, were defeased as of January 1, 2012, and redeemed on February 1, 2012.

Source: *Mt. Diablo Unified School District; Willdan Financial Services, Inc.*

* *Preliminary; subject to change.*

Assessed Property Value and Value-to-Burden Ratio

No Appraisal. The Community Facilities District has not commissioned an appraisal of the property in the Community Facilities District. Therefore, all estimated property values shown in this Official Statement are based on the Fiscal Year 2015-16 County Assessor's roll (which is the last equalized assessor's roll).

The current market value of the parcels within the Community Facilities District may be less than the County Assessor's values shown in this Official Statement.

General Information Regarding Assessed Values. Article XIII A of the California Constitution ("**Proposition 13**") defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Because of the general limitation to 2% per year in increases in full cash value of properties that remain in the same ownership, the county tax roll does not reflect values uniformly proportional to actual market values.

In addition, assessed values can be reduced as a result of two basic types of property tax assessment appeals under State law: (a) a base-year assessment appeal, which involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction, and (b) a Proposition 8 appeal, which can result (as a result of a property owner's application) if factors occur causing a decline in the market value of the property to a level below the property's then-current assessed value.

No assurance can be given that should a parcel with delinquent Special Taxes be foreclosed and sold for the amount of the delinquency, that any bid will be received for such property, or if a bid is received that such bid will be sufficient to pay such delinquent Special Taxes.

Assessed Valuation History. The table below presents the overall assessed valuation of taxable property in the Community Facilities District for Fiscal Year 2003-04 through Fiscal Year 2015-16.

**Table 4
Assessed Valuation History
Fiscal Years 2003-04 through 2015-16**

Fiscal Year Ending [1][2]	Secured [3]	Unsecured	Total	Annual Percentage Change
2004	\$22,711,385,475	\$ 920,522,887	\$23,631,908,362	--
2005	24,440,946,159	868,334,641	25,309,280,800	6.63%
2006	26,507,580,455	942,384,927	27,449,965,382	7.80
2007	29,202,871,829	951,192,569	30,154,064,398	8.97
2008	31,654,217,857	964,357,554	32,618,575,411	7.56
2009	31,742,057,815	1,062,848,164	32,804,905,979	0.57
2010 [4]	29,642,841,960	1,051,293,746	30,694,135,706	-6.88
2011 [4]	28,932,056,483	974,038,398	29,906,094,881	-2.64
2012 [4]	28,616,102,738	934,855,683	29,550,958,421	-1.20
2013 [4]	27,975,407,929	912,822,483	28,888,230,412	-2.29
2014	29,451,321,686	885,862,726	30,337,184,412	4.78
2015	32,112,171,934	922,809,547	33,034,981,481	8.17
2016	34,406,184,385	969,180,826	35,375,365,211	6.62

[1] Data unavailable from the County for Fiscal Years prior to Fiscal Year 2003-04.

[2] As based on data report provided by Contra Costa County Auditor-Controller.

[3] Includes local utility property assessed by the State Board of Equalization.

[4] Proposition 8 temporary reductions applied.

Source: County of Contra Costa; Willdan Financial Services, Inc.

Estimated Value-to-Debt Ratios. The table on the following page shows the approximate projected value-to-debt ratio for Taxable Property in the Community Facilities District based on the assessed values reported by the County Assessor for Fiscal Year 2015-16 and the proposed principal amount of the Bonds.

No assurance can be given that the amounts shown in this table will conform to those ultimately realized in the event of a foreclosure action resulting from delinquency in the payment of Special Taxes.

Table 5*
Assessed Values and Value-to-Debt Ratios
Allocated by Value-to-Debt Category

Land Use Categories [1]	Parcels	Taxable Units	Special Tax Levy	Assessed Valuation	Direct Land Secured Bonded Debt [3]	Direct and Overlapping Land Secured Bonded Debt	Direct Value-to-Debt Ratio	Direct and Overlapping Value-to-Debt Ratio
Residential, Single Family Units	69,506	69,526	\$4,658,242	\$23,855,709,663				
Residential, Multi-Family Units	1,257	2,137	143,179	1,991,490,357				
Commercial	1,566	9,947	666,449	4,064,099,346				
Industrial	544	14,866	996,022	2,327,656,152				
Agricultural with a Residence	202	202	13,534	134,239,614				
Agricultural without a Residence	--	--	--	--	--	--	--	--
Governmental, Institutional	144	685	45,895	198,295,502	--	--	--	--
Municipally Owned, Taxable	46	46	3,082	1,181,200				
Tax Exempt Uses	5	--	--	--	--	--	--	--
Unbuildable Parcels [2]	217	--	--	--	--	--	--	--
Total	73,487	97,409	\$6,526,403	\$32,572,671,834				

[1] Based on Contra Costa County 2015-16 Secured Property Tax Roll.

[2] As determined by the County Assessor.

[3] As determined by California Municipal Statistics, Inc.

Source: Contra Costa County; California Municipal Statistics, Inc.; Willdan Financial Services, Inc.

* Preliminary; subject to change.

Direct and Overlapping Governmental Obligations

Contained within the boundaries of the Community Facilities District are certain overlapping local agencies providing public services and assessing property taxes, assessments, special taxes and other charges on the property in the Community Facilities District. Many of these local agencies have outstanding debt.

The direct and overlapping obligations affecting the property in the Community Facilities District as of March 1, 2016, are shown in the following table. *The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only.*

Table 6
Direct and Overlapping Governmental Obligations
as of March 1, 2016

2015-16 Assessed Valuation: \$32,572,671,834 (Land and Improvement)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/16</u>
Bay Area Rapid Transit District	5.353%	\$ 28,213,291
Contra Costa Community College District	18.774	81,131,037
Mount Diablo Unified School District	91.132	409,487,724
Mount Diablo Unified School District Community Facilities District No. 1	100.000	23,050,000 [1]
East Bay Regional Park District	8.021	12,362,963
Pleasant Hill Recreation and Park District	81.531	21,324,432
City of Martinez	34.164	7,838,951
City of Pittsburg Community Facilities District No. 2005-2	96.979	9,363,348
City of Clayton Community Facilities District No. 1990-1	92.701	2,523,326
Contra Costa County Community Facilities District No. 1999-1	89.601	452,484
City of Pittsburg Reassessment District No. 2011-1	75.293	8,666,513 [2]
		\$
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		604,424,069
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Contra Costa County General Fund Obligations	18.703%	\$52,156,507
Contra Costa County Pension Obligation Bonds	18.703	44,310,843
Contra Costa Community College District Certificates of Participation	18.774	115,463
City of Concord General Fund Obligations	91.256	2,025,879
City of Pittsburg Pension Obligation Bonds	17.858	6,445,254
City of Pleasant Hill General Fund Obligations	91.779	757,180
City of Walnut Creek General Fund Obligations	35.803	1,149,708
Pleasant Hill Recreation and Park District Certificates of Participation	81.531	1,634,696
Contra Costa Fire Protection District Pension Obligation Bonds	39.183	33,186,229
		\$
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		141,781,759
Less: Contra Costa County Obligations supported by revenue funds		(14,846,096)
City of Concord supported obligations		(570,349)
		\$
TOTAL NET OVERLAPPING GENERAL FUND DEBT		126,365,314
		\$
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		142,205,976
		\$
GROSS COMBINED TOTAL DEBT		889,401,804 [3]
		\$
NET COMBINED TOTAL DEBT		873,985,359
		\$
<u>Ratios to 2015-16 Assessed Valuation:</u>		
Direct Debt (\$23,050,000)	1.07%	
Total Direct and Overlapping Tax and Assessment Debt	1.86%	
Gross Combined Total Debt	2.73%	
Net Combined Total Debt	2.68%	

[1] Excludes the Bonds and includes Prior Bonds.

[2] Unbilled principal.

[3] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Special Tax Collection and Delinquency Rates

Overall Delinquencies. The Special Tax was first levied in Fiscal Year 1990-91. The table on the following page presents the collections and delinquencies of the Special Taxes for Fiscal Years 2000-01 through 2014-15.

Table 7
Special Tax Collections and Delinquencies
Fiscal Years 2000-01 through 2014-15

Fiscal Year Ending June 30 [1]	Fiscal Year Special Tax			Delinquencies as of May 27, 2015	Delinquency Rate [5]
	Levy	Collections [2]	Delinquencies [3][4]		
2001	\$6,544,627.00	\$6,544,627.00	\$ --	\$ --	--%
2002	6,567,273.00	6,567,273.00	--	--	--
2003	6,680,905.00	6,680,905.00	76,802.08	--	--
2004	6,546,235.00	6,546,235.00	79,830.50	--	--
2005	6,712,730.00	6,712,730.00	79,060.00	--	--
2006	6,586,502.00	6,586,502.00	91,388.00	--	--
2007	6,610,756.00	6,610,756.00	152,425.00	--	--
2008	6,784,755.00	6,784,755.00	208,202.50	--	--
2009	6,714,539.00	6,714,539.00	194,970.00	--	--
2010	6,720,904.00	6,720,904.00	152,391.50	--	--
2011	6,729,547.00	6,729,547.00	106,061.00	--	--
2012	6,965,588.00	6,963,243.00	93,465.00	2,345.00	0.03
2013	6,586,636.00	6,584,391.50	69,613.00	2,244.50	0.03
2014	6,576,921.00	6,573,671.50	64,119.00	3,249.50	0.05
2015	6,565,196.00	6,557,323.50	54,806.00	7,872.50	0.12

[1] Based on data report provided by Contra Costa County Auditor-Controller.

[2] Based on delinquency data collected on January 26, 2016.

[3] The County includes the Special Tax in the Teeter Plan. Notwithstanding the delinquencies shown here, the Community Facilities District is provided the full amount of the Special Tax levy by the County pursuant to the Teeter Plan. See "SECURITY FOR THE BONDS - Teeter Plan."

[4] Delinquencies as of the end of each Fiscal Year.

[5] Current delinquency data as of January 26, 2016.

Source: Contra Costa County, Mt. Diablo Unified School District, Willdan Financial Services, Inc. and California Municipal Statistics Inc.

Enforcement Actions. The School District has not taken actions to enforce delinquent Special Taxes in the past. There are currently no pending foreclosures on the parcels within the Community Facilities District.

Property Ownership

Neither the Bonds nor the Special Taxes are personal obligations of any owners of Taxable Property within the Community Facilities District.

Largest Special Tax Payers. The table below shows the largest payers of Special Taxes in the Community Facilities District for Fiscal Year 2015-16.

**Table 8
Largest Special Tax Payers
Fiscal Year 2015-16**

Property Owner [1]	Parcels	Taxable Units	Special Tax Levy	Percentage of Total Special Tax
Tesoro	27	8,777	\$588,059	9.01%
NGP Realty	17	888	59,496	0.91
RMC Pacific	2	728	48,776	0.75
LP Catalyst	4	425	28,475	0.44
Allied Chemical	7	381	25,527	0.39
Gonsalves & Santucci	10	319	21,373	0.33
East Bay Regional Park District	1	279	18,693	0.29
Taubman Land	6	277	18,559	0.28
HRO Inc.	250	250	16,750	0.26
Grupe Real Estate	228	228	15,276	0.23
Subtotal, Top 10 Taxpayers	552	12,552	\$840,984	12.89%
All other taxpayers	72,713	84,857	\$5,685,419	87.11%
Total, all taxpayers	73,265	97,409	\$6,526,403	100.00%

[1] Based on the Contra Costa County's secured tax roll for Fiscal Year 2015-16.
Source: County of Contra Costa; Willdan Financial Services, Inc.

BOND OWNERS' RISKS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds.

Limited Obligation of the School District to Pay Debt Service

The School District has no obligation to pay principal of and interest on the Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. Neither the School District nor the Community Facilities District is obligated to advance funds to pay debt service on the Bonds.

Levy and Collection of the Special Tax

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

Limitation on Maximum Special Tax Rate. The annual levy of the Special Tax is subject to the maximum annual Special Tax rate authorized in the Special Tax Formula. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds.

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

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

Transfers to Governmental Entities. The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

Property Tax Delinquencies. Failure of the owners of Taxable Property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Tax revenues in the event the Teeter Plan is discontinued by the County. See “– Property Tax Delinquencies” below. For a summary of

recent property tax collection and delinquency rates in the Community Facilities District, see “THE COMMUNITY FACILITIES DISTRICT – Special Tax Collection and Delinquency Rates.”

Delays Following Special Tax Delinquencies and Foreclosure Sales. The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE BONDS – Covenant to Foreclose” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Community Facilities District of the proceeds of sale if the Reserve Fund is depleted. See “SECURITY FOR THE BONDS – Covenant to Foreclose.”

The ability of the School District to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the “**FDIC**”) has or obtains an interest. The FDIC would obtain such an interest by taking over a financial institution that has made a loan which is secured by property within the Community Facilities District. See “– Enforcement of Special Taxes on Governmentally Owned Properties” below.

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of such military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

Discontinuance of Teeter Plan

The Board of Supervisors of the County may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County if the rate of secured tax and assessment delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

The Special Taxes for the Community Facilities District are intended to be collected pursuant to the Teeter Plan and therefore, so long as the County maintains its policy of collecting taxes pursuant to the Teeter Plan and the Community Facilities District meet the Teeter Plan requirements, the Community Facilities District expects to receive 100% of the annual special taxes levied for the Community Facilities District without regard to actual collections in the Community Facilities District. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the Teeter Plan.

Property Tax Delinquencies

General. Delinquencies in the payment of property taxes and, consequently, the Special Taxes, can occur because the owners of delinquent parcels may not have received property tax bills from the County in a timely manner, including situations in which the County initially sent property tax

bills to the property developer or merchant builder at a time when the parcels in question had already been sold to individual homeowners. Delinquencies can also reflect economic difficulties and duress by the property owner. See “THE COMMUNITY FACILITIES DISTRICT – Special Tax Collection and Delinquency Rates.”

In the event the Teeter Plan is discontinued by the County, sustained or increased delinquencies in the payment of the Special Taxes could cause a draw on the Reserve Fund established for the Bonds and perhaps, ultimately, a default in the payment on the Bonds.

Measures to Mitigate Consequences of Continuing Delinquencies. The School District intends to take certain actions designed to mitigate the impact of future delinquencies, including: enforcing the lien of the Special Taxes through collection procedures that will include foreclosure actions under certain circumstances (see “SECURITY FOR THE BONDS – Covenant to Foreclose”); and increasing the levy of Special Taxes against non-delinquent property owners in the Community Facilities District, to the extent permitted under the Special Tax Formula and the Act and to the extent the Special Taxes are not already being levied at the maximum Special Tax rate.

Limitations on Increases in Special Tax Levy. If owners are delinquent in the payment of the Special Tax, the School District may not increase Special Tax levies to make up for delinquencies for prior fiscal years above the maximum Special Tax rates specified in the Special Tax Formula.

In the event the Teeter Plan is discontinued by the County and significant delinquencies thereafter, these factors may result in defaults in the payment of principal of and interest on the Bonds. See “BOND OWNERS’ RISKS.”

Risks Related to Homeowners With High Loan Mortgage to Value Ratios

Any future decline in home values in the Community Facilities District could result in property owner unwillingness or inability to pay mortgage payments, as well as ad valorem property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes.

It is possible that laws could be enacted in the future to assist homeowners in default in the payment of mortgages and property taxes. It is further possible that federal laws could be enacted that would adversely impact the ability of the School District to foreclose on parcels with delinquent Special Taxes. No assurance can be given that any such laws will be enacted, or if enacted will be effective in assisting affected homeowners.

Limited Number of Taxable Parcels

The Special Taxes may only be levied and collected on the property classified as Taxable Property within the Community Facilities District.

Numerous future delinquencies by the owners of Taxable Property in the Community Facilities District in the payment of property taxes (and, consequently, the Special Taxes, which are collected on the ordinary property tax bills) when due coupled with the discontinuance of the Teeter Plan by the County could result in a deficiency in Special Tax revenues necessary to pay debt service on the Bonds, which could in turn result in the depletion of the Reserve Fund, prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax. In that event, there could be a

delay or failure in payments of the principal of and interest on the Bonds. See “SECURITY FOR THE BONDS – Reserve Fund.”

Payment of Special Tax Is Not a Personal Obligation of the Property Owners

An owner of Taxable Property is not personally obligated to pay the Special Taxes. Rather, the Special Taxes are an obligation running only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the School District, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the affected parcels of Taxable Property, the School District has no recourse against the owner.

Property Values

The value of Taxable Property within the Community Facilities District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the School District’s only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic and other factors beyond the School District’s control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, landslides, wildfires, or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

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

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

Other natural disasters could include, without limitation, floods, landslides, wildfires, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear.

Legal Requirements. Other events that may affect the value of Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with

regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The property values set forth in this Official Statement do not take into account the possible reduction in marketability and value of any of the Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the School District is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the School District is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of Taxable Property that is realizable upon a delinquency.

Other Possible Claims Upon the Value of Taxable Property

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to priority and parity liens and similar claims.

The table in the section entitled "THE COMMUNITY FACILITIES DISTRICT – Direct and Overlapping Governmental Obligations" shows the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. The table also states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the Bonds.

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of

the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “– Bankruptcy Delays” below.

Enforcement of Special Taxes on Governmentally Owned Properties

General. The ability of the School District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, the Drug Enforcement Agency, the Internal Revenue Service (the “**IRS**”), or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the Community Facilities District, but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and School District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“**FNMA**”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The School District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Community Facilities District. No assurance can be given as to the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. If any financial institution making any loan secured by real property within the Community Facilities District is taken over by the FDIC, and prior thereto or thereafter the loan (or loans) goes into default, resulting in ownership of the property by the FDIC, then the ability of the School District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “**Policy Statement**”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid

lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special taxes and assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula, which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The School District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the Community Facilities District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale.

Exemptions Under Special Tax Formula and the Act. Certain properties are exempt from the Special Tax in accordance with the Special Tax Formula and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Taxes; provided, however, that property within the Community Facilities District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Taxes, will continue to be subject to the Special Taxes.

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

Depletion of Reserve Fund

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement. See "SECURITY FOR THE BONDS – Reserve Fund." The Reserve Fund will be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the Community Facilities District. If the Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Taxes that exceed the amounts to be paid to the Bond Owners under the Fiscal Agent Agreement. However, because the Special Tax levy is limited to the maximum annual Special Tax rate, it is possible that no replenishment would be possible if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Taxes.

Bankruptcy Delays

The payment of the Special Tax and the ability of the School District to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent Special Taxes not being paid in full.

Disclosure to Future Purchasers

The School District has recorded a notice of the Special Tax lien in the Office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in the Community Facilities District or the lending of money secured by property in the Community Facilities District. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

No Acceleration Provisions

The Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners similarly situated to pursue certain remedies. See "APPENDIX C – Summary of Certain Provisions of the Fiscal Agent Agreement." So long as the Bonds are in book-entry form, DTC will be the sole holder and will be entitled to exercise all rights and remedies of Bondholders.

Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS – Tax Exemption,” interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the School District in violation of its covenants in the Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to become includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity.

IRS Audit of Tax-Exempt Bond Issues

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of such Bonds might be affected as a result of such an audit of such Bonds (or by an audit of similar bonds or securities).

Impact of Legislative Proposals, Clarifications of the Internal Revenue Code of 1986, as Amended, and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Internal Revenue Code of 1986, as amended, or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bondowners from realizing the full current benefit of the tax status of such interest.

For example, various proposals have been made in Congress and by the President that, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of certain specified thresholds.

The introduction or enactment of any such legislative proposals, clarification of applicable law, or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation.

Voter Initiatives and State Constitutional Provisions

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

Proposition 218. Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Section 3 of Article XIIC states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged

to repay any debt incurred pursuant to the Act unless the legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt.

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

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote. The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the registered voters within the Community Facilities District who constituted the qualified electors at the time of such voted authorization, and the statute of limitations period for any challenges to the formation of the Community Facilities District and the levy of the Special Taxes has expired. The School District believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 have undergone, are likely to undergo, both judicial and legislative scrutiny.

For example, in August 2014, in *City of San Diego v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego to authorize the levying of special taxes on hotels City-wide pursuant to a City charter ordinance creating a convention center facilities district which specifically defined the electorate to consist solely of (1) the owners of real property in the City on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located. The court held that such landowners and lessees are neither “qualified electors” of the City for purposes of Article XIII A, Section 4 of the California Constitution, nor a proper “electorate” under Article XIII C, Section 2(d) of the California Constitution. The court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes under Section 53326(b) of the Act (which was the nature of the voter approval through which the Community Facilities District was formed) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. Accordingly, this case should have no effect on the levy of the Special Taxes by the School District.

The School District and the Community Facilities District cannot predict the ultimate outcome or effect of any such judicial scrutiny, legislative actions, or future initiatives. These initiatives, and any future initiatives, may affect the collection of fees, taxes and other types of revenue by local agencies such as the Community Facilities District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

Secondary Market for Bonds

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

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

LEGAL MATTERS

Legal Opinions

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as APPENDIX F. A copy of the legal opinion will be attached to each Bond.

Jones Hall, A Professional Law Corporation, San Francisco, California, will also pass upon certain legal matters for the School District as disclosure counsel. The General Counsel of the School District will pass upon certain legal matters for the School District. James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California, is serving as counsel to the Underwriters.

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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

allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

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

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

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

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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

No Litigation

At the time of delivery of the Bonds, the School District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the Community Facilities District has been served with process or threatened:

- that in any way questions the powers of the Board or the School District, or
- that in any way questions the validity of any proceeding taken by the Board in connection with the issuance of the Bonds, or
- wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the purchase contract with respect to the Bonds, or
- that, in any way, could adversely affect the validity or enforceability of the resolutions of the Board adopted in connection with the formation of the Community Facilities District or the issuance of the Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Certificate or the purchase contract with respect to the Bonds, or
- to the knowledge of an authorized officer of the School District, that in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes, or
- that in any other way questions the status of the Bonds under State tax laws or regulations.

CONTINUING DISCLOSURE

The School District will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Bonds by not later than April 15 of each year based on the School District's current fiscal year end of June 30 (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the School District is set forth in APPENDIX E.

The School District entered into prior continuing disclosure undertakings under the Rule, in connection with the issuance of long-term obligations, and provided annual financial information and event notices in accordance with their respective undertakings. Based on a compliance review conducted by a consultant engaged by the School District, the School District is aware of the following instances of non-compliance by it with the requirements of its continuing disclosure undertakings during the past five years (identification of the below-described events does not constitute a representation by the School District that any such instances of non-compliance were material):

The School District has made filings to correct all known instances of non-compliance during the last five years. The School District believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

VERIFICATION OF MATHEMATICAL ACCURACY

Causey Demgen & Moore P.C., Denver, Colorado, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them,

which were prepared by the Municipal Advisor, relating to (1) the sufficiency of the anticipated receipts from the moneys deposited in the Escrow Fund to pay, when due, the principal, interest and redemption requirements of the Prior Bonds, and (2) the yield on the Bonds.

RATING

Moody's Investors Service, a subsidiary of Moody's Corporation ("**Moody's**"), has assigned an underlying rating of "___" to the Bonds. This rating reflects only the view of Moody's, and an explanation of the significance of the rating, and any outlook assigned to or associated with the rating, should be obtained from Moody's.

The Community Facilities District provided certain information and materials to the rating agency (some of which does not appear in this Official Statement) in connection with the application for a rating. Generally, a rating agency bases its rating on the information and materials furnished to it, as well as investigations, studies and assumptions of its own.

There is no assurance that this rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated and Brandis Tallman LLC (collectively, the "**Underwriters**") at a purchase price of \$_____ (which represents the aggregate principal amount of the Bonds (\$_____), plus/less an original issue premium/discount of \$_____, and less an Underwriter's discount of \$_____).

The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

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

PROFESSIONAL FEES

In connection with the issuance of the Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the Bonds. Those professionals include:

- the Underwriter;
- Jones Hall, A Professional Law Corporation, as Bond and Disclosure Counsel;
- James F. Anderson Law Firm, a Professional Corporation, as Underwriter's Counsel;
- A portion of the fees of Dale Scott & Company Inc., as municipal advisor; and
- U.S. Bank National Association, as Fiscal Agent.

EXECUTION

The execution and delivery of the Official Statement by the Mt. Diablo Unified School District have been duly authorized by its Board of Education.

MT. DIABLO UNIFIED SCHOOL DISTRICT

By: _____
Dr. Nellie Meyer,
Superintendent

APPENDIX A

GENERAL INFORMATION ABOUT THE COUNTY OF CONTRA COSTA

The following information is included only for the purpose of supplying general information regarding the County of Contra Costa (the "County"). This information is provided only for general informational purposes, and provides prospective investors limited information about the area in and around the Community Facilities District and its economic base. The Bonds are not a debt of the County, the State of California (the "State") or any of its political subdivisions, and none of the County, the State nor any of its political subdivisions except the School District (to the limited extent described in this Official Statement) is liable therefor. See "SECURITY FOR THE BONDS."

General

The County was incorporated in 1850 as one of the original 27 counties of the State, with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County is the ninth most populous county in the State with a population of approximately 1,102,871 as of January 1, 2015.

The County provides services to residents through departments and agencies including the Departments of Building Inspection, Community Development, Economic & Redevelopment, Airports, Flood Control, Parks, and Road and Transportation. Each city within the County provides for local services such as police, fire, water, and various other services normally associated with municipalities.

Population

Population figures for the cities of Pleasant Hill, Concord, and Walnut Creek, as well as the population for the County and the State for the last five years are shown in the following table.

CITIES OF PLEASANT HILL, CONCORD AND WALNUT CREEK COUNTY OF CONTRA COSTA Population Estimates

<u>Year</u>	<u>City of Pleasant Hill</u>	<u>City of Concord</u>	<u>City of Walnut Creek</u>	<u>County of Contra Costa</u>	<u>State of California</u>
2011	33,279	122,676	64,707	1,056,064	37,427,946
2012	33,340	123,206	65,233	1,065,117	37,668,804
2013	33,682	123,993	65,780	1,076,429	37,966,471
2014	33,872	124,656	66,183	1,087,008	38,357,121
2015	34,162	126,069	66,868	1,102,871	38,714,725

Source: California Department of Finance estimates (as of January 1)

Employment and Industry

The County of Contra Costa is a part of the Oakland-Hayward-Berkeley Metropolitan Division (the “**Oakland-Hayward-Berkeley MD**”). The unemployment rate in the Oakland-Hayward-Berkeley MD was 4.4 percent in December 2015, down from a revised 4.5 percent in November 2015, and below the year-ago estimate of 5.1 percent. This compares with an unadjusted unemployment rate of 5.8 percent for the State and 4.8 percent for the nation during the same period. The unemployment rate was 4.5 percent in the County.

The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 2010 through 2014. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City. Annual figures for calendar year 2015 are not yet available.

**OAKLAND-HAYWARD-BERKELEY METROPOLITAN DIVISION
(Alameda and Contra Costa Counties)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
March 2014 Benchmark**

	2010	2011	2012	2013	2014
Civilian Labor Force [1]	1,307,300	1,315,800	1,336,800	1,346,700	1,355,400
Employment	1,164,300	1,181,900	1,219,100	1,247,700	1,274,200
Unemployment	143,000	133,900	117,800	99,000	81,200
Unemployment Rate	10.9%	10.2%	8.8%	7.3%	6.0%
<u>Wage and Salary Employment [2]</u>					
Agriculture	1,400	1,500	1,500	1,500	1,400
Mining and Logging	1,100	1,000	900	900	800
Construction	47,500	47,600	52,000	56,400	58,800
Manufacturing	78,600	79,700	79,900	80,100	81,800
Wholesale Trade	41,900	42,200	43,700	45,200	46,200
Retail Trade	100,300	101,100	103,900	107,200	109,500
Transportation, Warehousing & Utilities	31,500	32,200	32,900	33,500	35,500
Information	23,600	22,600	22,100	21,500	21,100
Finance & Insurance	33,000	32,900	33,400	33,500	32,400
Real Estate & Rental & Leasing	15,200	14,900	15,400	16,200	16,900
Professional & Business Services	152,200	157,500	166,500	173,400	179,900
Educational & Health Services	153,300	153,200	160,200	171,500	175,100
Leisure & Hospitality	85,800	88,200	92,200	98,100	103,200
Other Services	35,000	35,700	36,400	37,000	37,700
Federal Government	15,700	14,600	14,200	13,800	13,700
State Government	38,100	38,300	38,500	38,900	39,300
Local Government	111,500	111,000	110,100	110,600	113,100
Total, All Industries [3]	965,700	974,200	1,003,500	1,039,000	1,066,400

[1] Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

[2] Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

[3] Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The following table sets forth the top ten employers located in the County:

**COUNTY OF CONTRA COSTA
Principal Employers⁽¹⁾
As of June 2015**

Employer Name	Estimated Employees
Chevron Corporation	10,000+
Bayer Healthcare Pharmaceuticals	500-999
Bio-Rad Laboratories	500-999
C&H Sugar Co., Inc.	500-999
Conoco Phillips Rodeo Refinery	500-999
Macy's	500-999
Nordstrom	500-999
Safeway	500-999
Shell Oil Products	500-999
Tesoro Golden Eagle Refinery	500-999

(1) Government employers excluded.

Source: County of Contra Costa Comprehensive Annual Financial Report for fiscal year ended June 30, 2015.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for County, the State and the United States for calendar years 2010 through 2014. Annual figures for calendar year 2015 are not yet available.

**COUNTY OF CONTRA COSTA
Median Household Effective Buying Income
As of January 1, 2010 through 2014**

Area	2010	2011	2012	2013	2014
County	\$61,031	\$60,777	\$61,167	\$61,731	\$64,090
California	47,177	47,062	47,307	48,340	50,072
United States	41,368	41,253	41,358	43,715	45,448

Source: The Nielsen Company (US), Inc.

Commercial Activity

The following table shows total taxable retail sales, total taxable sales from all outlets and related number of permits in the County on an annual basis for calendar years 2009 through 2013. Total taxable sales during the first three quarters of calendar year 2014 in the County were reported to be \$10,953,532,000, a 4.06% increase over the total taxable sales of \$10,526,208,000 reported during the first three quarters of calendar year 2013. Annual figures for calendar year 2014 and 2015 are not yet available.

COUNTY OF CONTRA COSTA
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits on August 1	Taxable Transactions	Number of Permits on August 1	Taxable Transactions
2009	14,045	\$8,473,578	21,395	\$11,883,049
2010	14,423	8,716,393	21,784	11,954,846
2011	13,930	9,300,418	21,153	12,799,857
2012	14,343	10,062,437	21,504	13,997,249
2013	14,511	10,677,018	21,449	14,471,988

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables shows the building permits and valuations for the County for calendar years 2010 through 2014. Annual figures for calendar year 2015 are not yet available.

COUNTY OF CONTRA COSTA Total Building Permit Valuations (Valuations in Thousands)

	2010	2011	2012	2013	2014
<u>Permit Valuation</u>					
New Single-family	\$237,458.0	\$211,417.9	\$340,255.7	\$469,376.5	\$402,109.1
New Multi-family	106,555.4	47,304.2	54,884.8	62,799.7	82,008.6
Res. Alterations/Additions	<u>209,044.4</u>	<u>233,174.2</u>	<u>179,471.7</u>	<u>195,787.4</u>	<u>256,617.8</u>
Total Residential	553,057.8	491,896.3	574,612.2	727,963.6	740,735.5
New Commercial	38,093.5	17,587.4	97,077.8	85,341.7	94,171.8
New Industrial	29,619.4	7,188.0	7,000.8	8,927.8	21,149.5
New Other	47,510.7	15,542.3	13,999.9	89,877.6	103,359.8
Com. Alterations/Additions	<u>170,193.8</u>	<u>214,585.0</u>	<u>124,147.2</u>	<u>220,737.0</u>	<u>191,855.7</u>
Total Nonresidential	285,417.4	254,902.7	242,225.7	404,884.1	410,536.8
 <u>New Dwelling Units</u>					
Single Family	809	718	1,188	1,585	1,439
Multiple Family	<u>890</u>	<u>355</u>	<u>949</u>	<u>370</u>	<u>588</u>
TOTAL	1,699	1,073	2,137	1,955	2,027

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

Centrally located in the east bay region of the San Francisco bay area, the County is accessible to major transportation resources including Bay Area Rapid Transit which connects five counties, including the County and several cities within and outside the County, including the cities of Oakland, Berkeley, Fremont, Walnut Creek, Pleasant Hill, Concord, Dublin and Pleasanton. The County is also in close proximity to Highways 5, 205, 580 and 680, as well as approximately 20 miles east of Oakland International Airport and 30 miles northeast of San Francisco International Airport providing for convenient interstate transportation. The County is also home to two non-commercial airports: Buchanan Field Airport and Byron Airport, located in the cities of Concord and Byron, respectively.

Education

The County is comprised of 19 school districts, 5 community colleges, and is both home to and has access to major universities, including California State University, East Bay, University of California, Berkeley, Mills College, San Francisco State University, Golden Gate University, St. Mary's College of California and John F. Kennedy University. The District serves approximately one-third of the County and is the largest school district within the County.

Recreation

The County is home to Mt. Diablo State Park (the "**Park**"), which was designated a State park in 1921. Within the Park, Mount Diablo has an elevation of 3,849 feet providing a view west across the Golden Gate bridge to the Farallon islands, southeast to the James Lick Observatory, south to the Santa Cruz mountains, east to the San Joaquin and Sacramento Rivers and north to Mount saint Helens and Mount Lassen in the Cascades. The Park's 22,000 acres consist mostly of typical central California oak and grassland country with extensive areas of chaparral. Areas of riparian woodland, knobcone pine and coulter pine are also scattered through the park. Over 400 species of plants have been identified within the park as well as abundant wildlife including deer, raccoons, gray fox, bobcat, mountain lines and striped and spotted skunks. The Park provides guided hiking, rock climbing, horseback riding, biking, camping, and picnic facilities to visitors.

The County also contains numerous local parks and recreation facilities including Lefty Gomez Recreation Building and Ball Field Complex, an 11 acre park with ball fields, tennis courts, playground equipment, picnic and barbecue facilities and a community center, Montalvin Park, a seven acre community park with a basketball court, a tennis court and picnic facilities, MonTaraBay Park Community Center and Ball Field Complex, a four acre complex with a ball field and community center and Rodeo Creek Trail, a two and a half mile trail with indigenous trees, shrubs, grasses and wildflowers.

APPENDIX B

**SPECIAL TAX FORMULA FOR
MT. DIABLO UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1**

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

APPENDIX D

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of The Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds (herein, the “Securities”) to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities 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 Securities (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the “Agent”) takes 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 Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, 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. DTC will act as securities depository for 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated

subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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

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

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

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

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

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

**\$ _____
MT. DIABLO UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SERIES 2016 SPECIAL TAX REFUNDING BONDS**

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Mt. Diablo Unified School District (the "District") in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of May 1, 2016 (the "Fiscal Agent Agreement"), by and between the District, on behalf of itself and the Mt. Diablo Unified School District Community Facilities District No. 1 (the "Community Facilities District"), and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"). The District hereby covenants and agrees as follows:

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

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

"Annual Report" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Annual Report Date" means April 15 of each calendar year.

"Dissemination Agent" means Dale Scott & Company, or any successor Dissemination Agent designated in writing by the District and which has filed with the District 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.

"Official Statement" means the final official statement dated _____, 2016, executed by the District in connection with the issuance of the Bonds.

"Participating Underwriter" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the 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 District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 15, 2017, with the report for the 2015-16 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. 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 of this Disclosure Certificate; provided that if the audited financial statements of the District are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements, and the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, when they become available. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

(c) 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 District, file a report with the District and the Participating Underwriter 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 District's Annual Report shall contain or incorporate by reference the following documents and information:

(a) The District's audited financial statements for the most recently completed fiscal year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, together with the following statement:

THE DISTRICT'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE DISTRICT OR THE COMMUNITY FACILITIES DISTRICT, OTHER THAN NET SPECIAL TAXES, ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE DISTRICT NOR THE COMMUNITY FACILITIES DISTRICT IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE DISTRICT OR THE COMMUNITY FACILITIES DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) To the extent not included in the audited financial statements, the following information:

(i) The total dollar amount of delinquencies, if any, in the Community Facilities District as of March 1 or July 1 of the prior calendar year and, in the event that as of such March 1 or July 1 any single parcel within the Community Facilities District is delinquent in the payment of five or more installments of the Special Taxes, delinquency information for each parcel delinquent in the payment of five or more installments of the Special Taxes, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(ii) Total assessed value (per the County of Contra Costa Assessor's records) of all parcels currently subject to the Special Tax within the Community Facilities District.

(iii) An updated table in substantially the form of the table in the Official Statement entitled "Table 5, Assessed Values and Value-to-Debt Ratios Allocated by Value-to-Debt Category" based upon the most recent equalized tax roll prior to the September next preceding the Annual Report Date.

(iv) Any changes to the Special Tax Formula for the Community Facilities District set forth in Appendix B to the Official Statement.

(v) A copy of the most recent annual information required to be filed by the District with the California Debt and Investment Advisory Commission pursuant to the Act and relating generally to outstanding bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(vi) The principal amount of the Bonds outstanding and the balance in the Reserve Fund (along with a statement of the Reserve Requirement) and any other funds and accounts established under the Fiscal Agent Agreement as of a date less than 120 days next preceding the Annual Report Date.

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

(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 District 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 District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 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 Bonds, or other material events affecting the tax status of the Bonds.
- (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 District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District, or the sale of all or substantially all of the assets of the District (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 Fiscal Agent or the change of name of the Fiscal Agent, if material.

(b) Upon the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, 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 subsections (a)(8) and (9) 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 Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) 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 Bonds. The District 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. Upon occurrence of any of these Listed Events, the District 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 District 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 District 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 District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District 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 such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Dale Scott & Company.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) 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 Bonds, or type of business conducted;

(b) 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Fiscal Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 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 financial information 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information 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 District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District 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 District 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 District 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. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District 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 Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it 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 hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Fiscal Agent, the Bond owners or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the 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: _____, 2016

MT. DIABLO UNIFIED SCHOOL DISTRICT

By: _____
Chief Financial Officer

AGREED AND ACCEPTED:
Dale Scott & Company,
as Dissemination Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Mt. Diablo Unified School District (the "District")
Name of Bond Issue: Mt. Diablo Unified School District Community Facilities District No. 1
Series 2016 Special Tax Refunding Bonds
Date of Issuance: _____, 2016

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2016 executed by the District and countersigned by Dale Scott & Company, as dissemination agent. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

Dale Scott & Company

By: _____
Its: _____

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

_____, 2016

Board of Education
Mt. Diablo Unified School District
1936 Carlotta Drive
Concord, CA 94519

OPINION: \$_____ Mt. Diablo Unified School District
Community Facilities District No. 1 Series 2016 Special Tax Refunding Bonds

Members of the Board:

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

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), a resolution of the Board adopted on _____, 2016 (the "Resolution"), and a Fiscal Agent Agreement dated as of _____, 2016 (the "Fiscal Agent Agreement"), between the School District, on behalf of itself and the Community Facilities District, and U.S. Bank National Association, as Fiscal Agent (the "Fiscal Agent"). Under the Fiscal Agent Agreement, the Community Facilities District has pledged certain revenues ("Net Special Taxes") for the payment of principal and interest on the Bonds when due.

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

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

1. The Community Facilities District is a community facilities district duly created and validly existing under the Constitution and the laws of the State of California.
2. The School District is a school district organized under the Constitution and laws of the State of California with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.
3. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the School District, and constitutes a valid and binding obligation of the School District, enforceable against the School District.

4. The Fiscal Agent Agreement creates a valid lien on the Net Special Taxes and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) to be issued under the Fiscal Agent Agreement.

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

6. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

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

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

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX G
COMMUNITY FACILITIES DISTRICT BOUNDARY MAP