

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 20, 2025

NEW ISSUE

NOT RATED

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 2025 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. Interest on the 2025 Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See the caption "LEGAL MATTERS — Tax Matters" herein.

\$5,595,000\*

COMMUNITY FACILITIES DISTRICT NO. 2021-1  
OF THE HEMET UNIFIED SCHOOL DISTRICT  
IMPROVEMENT AREA NO. 2  
2025 SPECIAL TAX BONDS

Dated: Date of Delivery

Due: September 1, as shown on the inside cover

**Authority for Issuance.** The bonds captioned above (the "2025 Bonds") are being issued by Community Facilities District No. 2021-1 of the Hemet Unified School District (the "Community Facilities District") with respect to its Improvement Area No. 2 ("Improvement Area No. 2"). The 2025 Bonds are being issued under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), and a Fiscal Agent Agreement, dated as of March 1, 2025 (the "Fiscal Agent Agreement"), by and between the School District, on behalf of Community Facilities District No. 2021-1 of the Hemet Unified School District (the "Community Facilities District") and U.S. Bank Trust Company, National Association, as fiscal agent (the "Fiscal Agent").

**Security and Sources of Payment.** The 2025 Bonds are payable from proceeds of Special Taxes (as defined herein) levied on property within the boundaries of Improvement Area No. 2, according to the rate and method of apportionment of special tax for Improvement Area No. 2 approved by the qualified electors in the Community Facilities District and by the Governing Board (the "Board") of the Hemet Unified School District (the "School District"), acting as the legislative body (the "Legislative Body") of the Community Facilities District, and subsequent proceedings of the Legislative Body, as more fully described herein. See "SECURITY FOR THE BONDS." The 2025 Bonds are secured by a first pledge of the revenues derived from the Special Taxes and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement, on a parity with any additional bonds that may be issued as refunding bonds in the future upon compliance with the conditions set forth in the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS." The 2025 Bonds and any Additional Bonds (as defined herein) are referred to herein as the "Bonds." See "SECURITY FOR THE BONDS."

**Use of Proceeds.** The 2025 Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain school facilities and improvements of the School District, facilities of the Eastern Municipal Water District and facilities of the City of Hemet (collectively, the "Project"), (ii) fund a Reserve Fund for the 2025 Bonds, and (iii) pay certain costs of issuing the 2025 Bonds. See "THE FINANCING PLAN" and "— Sources and Uses of Funds" herein.

**Bond Terms.** Interest on the 2025 Bonds is payable on each March 1 and September 1, commencing September 1, 2025. The 2025 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The 2025 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2025 Bonds as described herein under "THE 2025 BONDS — Book-Entry and DTC."

**Redemption.** The 2025 Bonds are subject to optional redemption, mandatory redemption from prepayment of Special Taxes, and sinking fund redemption as described herein.

The 2025 Bonds, the interest thereon, and any premiums payable on the redemption of any of the 2025 Bonds, are not an indebtedness of the School District, the State of California (the "State") or any of its political subdivisions, and none of the School District, the Community Facilities District (except to the limited extent described in this Official Statement), the State nor any of its political subdivisions is liable on the 2025 Bonds. Neither the faith and credit nor the taxing power of the School District or the State or any political subdivision thereof is pledged to the payment of the 2025 Bonds or interest thereon. Other than the Special Tax Revenues of the Community Facilities District, no taxes are pledged to the payment of the 2025 Bonds. The 2025 Bonds are not a general obligation of the Community Facilities District, but are limited obligations of the Community Facilities District payable solely from the Special Tax Revenues as more fully described in this Official Statement.

MATURITY SCHEDULE

(see inside cover)

**This cover page contains certain information for general 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 2025 Bonds involves risks which may not be appropriate for some investors. See "BONDOWNERS' RISKS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2025 Bonds.**

The 2025 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the School District and the Community Facilities District by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. Kutak Rock LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the 2025 Bonds, in book-entry form, will be available for delivery through the services of DTC on or about April 16, 2025.\*

STIFEL

The date of this Official Statement is \_\_\_\_\_, 2025

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. 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.

## MATURITY SCHEDULE

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2021-1  
OF THE HEMET UNIFIED SCHOOL DISTRICT  
IMPROVEMENT AREA NO. 2  
2025 SPECIAL TAX BONDS**

Base CUSIP<sup>†</sup>: \_\_\_\_\_

\$ \_\_\_\_\_ Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup></u>
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\$ \_\_\_\_\_ % Term Bonds maturing September 1, 20\_\_; Yield: \_\_%; CUSIP<sup>†</sup>: \_\_\_\_

\$ \_\_\_\_\_ % Term Bonds maturing September 1, 20\_\_; Yield: \_\_%; CUSIP<sup>†</sup>: \_\_\_\_

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C: Priced to optional redemption date of September 1, 20\_\_, at 100%.

*f*: CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is owned by FactSet Research Systems Inc. ("FactSet"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

## **HEMET UNIFIED SCHOOL DISTRICT**

### **GOVERNING BOARD**

Jeremy Parsons, *President*  
Al Cordova, *Vice President*  
Stacey Bailey, *Member*  
Kenneth Prado, *Member*  
Patrick Searl, *Member*  
Jeffrey Slepski, Ed.D., *Member*  
Horacio Valenzuela, *Member*

### **ADMINISTRATION**

Christi Barrett, Ph.D., *Superintendent and Secretary to the Governing Board*  
R. Darrin Watters, *Deputy Superintendent, Business Services*  
Carolyn Yoakum, *Director, Fiscal Services*

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### **PROFESSIONAL SERVICES**

#### **MUNICIPAL ADVISOR**

Fieldman, Rolapp & Associates, Inc.  
*Irvine, California*

#### **BOND AND DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

#### **SPECIAL TAX CONSULTANT**

Special District Financing & Administration LLC  
*Ladera Ranch, California*

#### **FISCAL AGENT**

U.S. Bank Trust Company, National Association  
*Los Angeles, California*

## GENERAL INFORMATION ABOUT THE 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 2025 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 2025 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, Improvement Area No. 2, any other parties described in this Official Statement, or in the condition of property within Improvement Area No. 2 since the date of this Official Statement.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the 2025 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 2025 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 Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**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 Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the 2025 Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2025 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the 2025 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.

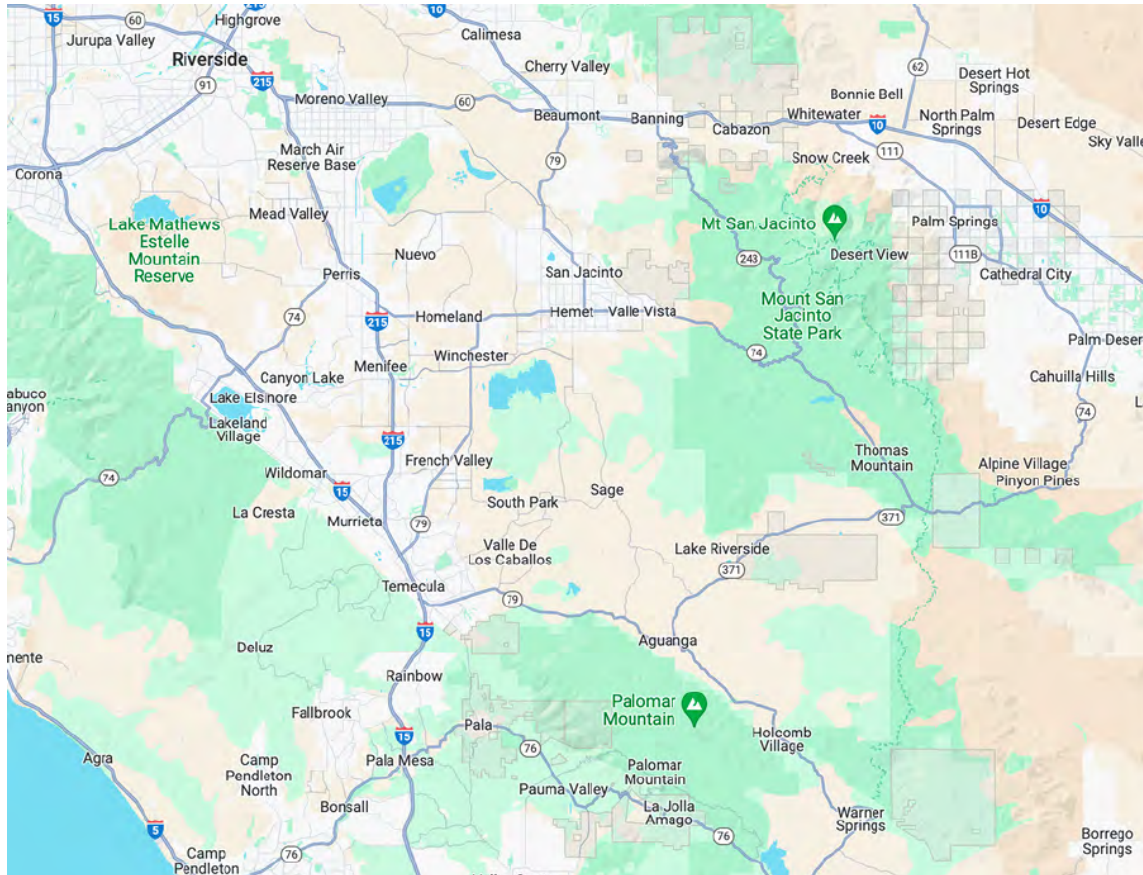
**The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance 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.**

The School District maintains an Internet website and social media accounts, but the information on the website and social media accounts are not incorporated in this Official Statement.

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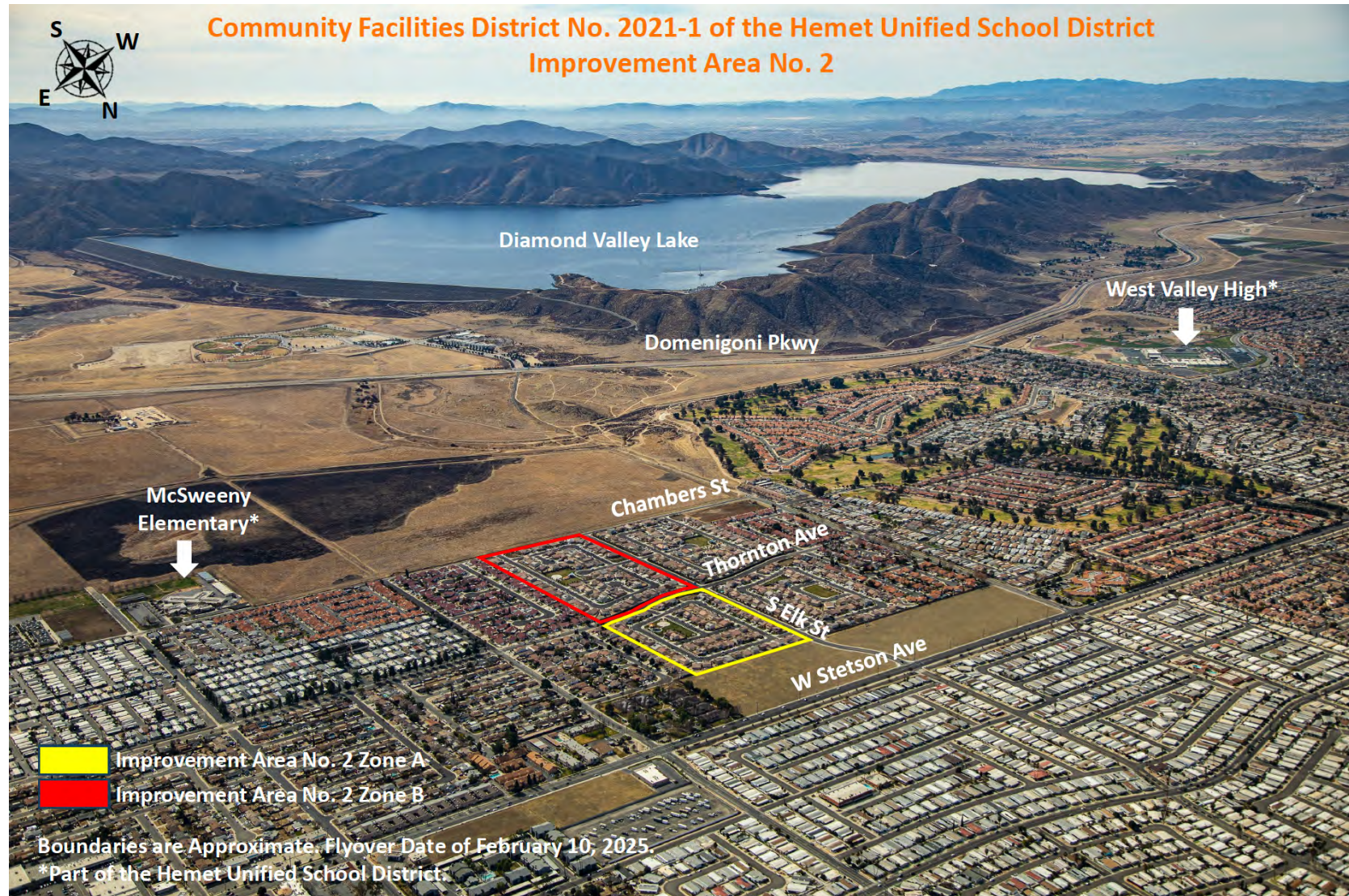
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## LOCATION MAP





## AERIAL VIEW OF IMPROVEMENT AREA NO. 2



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## OFFICIAL STATEMENT

\$5,595,000\*

### COMMUNITY FACILITIES DISTRICT NO. 2021-1 OF THE HEMET UNIFIED SCHOOL DISTRICT IMPROVEMENT AREA NO. 2 2025 SPECIAL TAX BONDS

## INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page, and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2025 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).*

**General.** The 2025 Bonds are issued pursuant to the Act and a Fiscal Agent Agreement, dated as of March 1, 2025 (the “**Fiscal Agent Agreement**”), by and between the School District, on behalf of the Community Facilities District and U.S. Bank Trust Company, National Association, as fiscal agent (the “**Fiscal Agent**”). See “THE 2025 BONDS – Authority for Issuance” herein.

The School District, on behalf of the Community Facilities District, will covenant in the Fiscal Agent Agreement not to issue any additional bonds secured by the Special Taxes after the issuance and delivery of the 2025 Bonds, except for refunding bonds pursuant to the Act. Bonds issued on a parity with the 2025 Bonds (“**Additional Bonds**”) are payable from the Net Special Taxes and other amounts deposited in the Special Tax Fund and the Reserve Fund (as defined herein) (or an account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – Additional Bonds” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.” The Community Facilities District may issue additional bonds, notes or other similar evidences of indebtedness payable from Net Special Taxes which are subordinate to the 2025 Bonds.

**The School District.** The School District was established on July 1, 1966, as a result of the unification of the Alamos and Cottonwood Districts, the Hemet Valley Union School District, and the Hemet Union High School District. The School District covers approximately 650 square miles in the western part of Riverside County (the “**County**”). The City of Hemet (the “**City**”), the City of San Jacinto, and unincorporated communities of Idyllwild, Anza, Aguanga, and Winchester are situated within the School District’s boundaries. The City is located approximately 45 miles west of Palm Springs, 85 miles north of San Diego, 90 miles east of Los Angeles, and 35 miles southeast of Riverside. The School District’s total population is approximately 133,300.

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\* Preliminary; subject to change.

The School District currently operates thirteen K-5 elementary schools, two K-8 schools, one K-8 dual language academy, four middle schools, one 6-12 school, three comprehensive high schools, one charter school, and three alternative schools, including one continuation high school, one K-12 Academy offering online, hybrid, and project-based learning, and one adult education program. For the 2024-25 school year, the School District's enrollment is approximately 22,133 students.

See APPENDIX A – “GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION ABOUT THE COUNTY OF RIVERSIDE AND THE CITY OF HEMET” herein.

The administration headquarters of the School District are located at 1791 W. Acacia Avenue, Hemet, California 92545. For further information on the School District, see its Internet home page at [www.hemetusd.org](http://www.hemetusd.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.*

**Property Ownership.** D.R. Horton Los Angeles Holding Company, Inc., a California corporation (the “**Developer**”) has developed the property in Improvement Area No. 2, having constructed and conveyed to individual homeowners all 149 detached single-family homes planned to be constructed within Improvement Area No. 2. As of March 11, 2025, all 149 homes had been conveyed to individual homeowners.

**The Community Facilities District and Improvement Area No. 2.** The Community Facilities District was formed and established by the School District on February 23, 2021, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the California Government Code, the “Act”), following a public hearing and a subsequent landowner elections at which the qualified electors in each of the two respective improvement areas of the Community Facilities District, by more than a two-thirds vote, authorized the Community Facilities District to incur bonded indebtedness with respect to such improvement area for school facilities, and water and sewer facilities, and approved the levy of special taxes against Taxable Property (as defined herein) within the applicable improvement area. The aggregate not-to-exceed amount approved with respect to Improvement Area No. 2 was \$10,000,000.

The term “Special Taxes” is defined in the Fiscal Agent Agreement as “the special taxes authorized to be levied by the Community Facilities District in Improvement Area No. 2, in accordance with the Ordinance, the Resolution of Formation, the Act and the approval of the qualified electors therein, or otherwise permitted to be levied subsequent thereto after approval by the qualified electors of Improvement Area No. 2 in accordance with the Act, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.”

Improvement Area No. 2 has been developed with 149 single-family homes. Improvement Area No. 2 is comprised of approximately 32.78 acres consisting of two continuous zones including Zone A (13.61 acres) and Zone B (19.17 acres), and comprises a portion of the Community Facilities District. Improvement Area No. 2 is located along Elk Street and bordered by Coral Avenue and Chambers Street in Riverside County, California (the “**County**”). Thorton Avenue separates Zone A and Zone B within Improvement Area No. 2. The typical lot size in Improvement Area No. 2 is 5,230 square feet.

**Security and Sources of Payment for the 2025 Bonds.** The 2025 Bonds are secured by and payable from a first pledge of the “**Net Special Taxes**” defined in the Fiscal Agent

Agreement as “the amount of all Gross Taxes minus the Administrative Expense Requirement.” The term “**Gross Taxes**” is defined in the Fiscal Agent Agreement as (i) the amount of all collected Special Taxes for Improvement Area No. 2, (ii) proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes, and (iii) proceeds from any security for payment of Special Taxes for Improvement Area No. 2 taken in lieu of foreclosure; provided, however, that the Community Facilities District may waive payment of penalties and interest accruing in connection with delinquent Special Tax payments (but not delinquent Special Tax payments, unless authorized in accordance with Section 53356.6 of the Government Code of the State) and to the extent waived, such amounts shall not constitute Gross Taxes. The term “**Administrative Expense Requirement**” is defined in the Fiscal Agent Agreement as “an initial amount of \$28,154.06 for Fiscal Year 2025-26, escalating at 2% per Fiscal Year for each successive Fiscal Year, or such other lesser amount as directed by the Community Facilities District as necessary for administration of the Community Facilities District.” See “SECURITY FOR THE BONDS.”

The 2025 Bonds are further secured by a pledge of all moneys deposited in the Reserve Fund, subject to disposition as provided in the Fiscal Agent Agreement. The Reserve Fund will be established out of the proceeds of the sale of the 2025 Bonds, in an amount equal to the Reserve Requirement.

**Purpose of the 2025 Bonds.** The 2025 Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain school facilities and improvements of the School District, facilities of the Eastern Municipal Water District (“**EMWD**”), and facilities of the City of Hemet (the “**City**”) (collectively, the “**Project**”), (ii) fund a Reserve Fund for the 2025 Bonds and (iii) pay certain costs of issuing the 2025 Bonds.

**Tax Matters.** 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 2025 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. Interest on the 2025 Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See the caption “LEGAL MATTERS — Tax Matters” herein.

**Risk Factors Associated with Purchasing the 2025 Bonds.** Investment in the 2025 Bonds involves risks that may not be appropriate for some investors. See the section of this Official Statement entitled “BONDOWNERS’ RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 2025 Bonds.

**Additional Bonds.** The Community Facilities District may issue additional bonds secured by Special Tax Revenues on a parity with the 2025 Bonds, upon compliance with certain conditions set forth in the Fiscal Agent Agreement, provided however, that such additional bonds may only be issued as Refunding Bonds. See “THE 2025 BONDS – Issuance of Additional Bonds.”

**Other Information.** This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the 2025 Bonds, certain sections of the Fiscal Agent Agreement, security for the 2025 Bonds, special risk factors, Improvement Area

No. 2, the Community Facilities District, the School District, the development and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2025 Bonds, the Fiscal Agent Agreement, and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of such documents may be obtained from the Office of the Clerk of the Board of the Hemet Unified School District, 1791 W. Acacia Avenue, Hemet, California 92545.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN) OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2025 BONDS. OTHER THAN THE NET SPECIAL TAXES IN IMPROVEMENT AREA NO. 2, NO TAXES ARE PLEDGED TO THE PAYMENT OF BONDS. THE 2025 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE NET SPECIAL TAXES LEVIED WITHIN IMPROVEMENT AREA NO. 2, AS MORE FULLY DESCRIBED HEREIN.**



## THE FINANCING PLAN

### Facilities to be Financed with Proceeds of the 2025 Bonds

The Community Facilities District will finance school facilities, City facilities, and water distribution, treatment and reservoir facilities and sewer collection, conveyance, treatment and disposal facilities, and land, rights-of-way and easements necessary for any of such facilities in Improvement Area No. 2. EMWD facilities include facilities that are included in EMWD's sewer and water capacity and connection fee programs.

### Sources and Uses of Funds

The proceeds from the sale of the 2025 Bonds will be deposited into the following respective accounts and funds established under the Fiscal Agent Agreement, as follows:

#### SOURCES

Principal Amount of Bonds	\$
[Plus][Less]: [Net] Original Issue [Premium][Discount]	
Less: Underwriter's Discount	
<i>Total Sources</i>	<hr/> \$

#### USES

Deposit into the School Facilities Account of the Construction Fund	\$
Deposit into EMWD Facilities Account of the Construction Fund	
Deposit into City Facilities Account of the Construction Fund	
Deposit into the Reserve Fund <sup>(1)</sup>	
Deposit into the Cost of Issuance Fund <sup>(2)</sup>	
<i>Total Uses</i>	<hr/> \$

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(1) An amount equal to the Reserve Requirement with respect to the 2025 Bonds as of the date of delivery thereof.

(2) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the cost of printing the final Official Statement, fees and expenses of the Fiscal Agent, the fees and expenses of the Municipal Advisor, the fees and expenses of the Special Tax Consultant, the fees of the Dissemination Agent, and repayment of developer advances.

## THE 2025 BONDS

### Authority for Issuance

The 2025 Bonds will be issued pursuant to the Act, the authorizations obtained and referenced herein, the Fiscal Agent Agreement and the resolution authorizing the issuance of the 2025 Bonds. See “IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO. 2021-1 – Summary of Proceedings” herein.

### General Provisions

The 2025 Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semi-annually on each March 1 and September 1, commencing September 1, 2025 (each, an “**Interest Payment Date**”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The 2025 Bonds will be issued in fully-registered form in denominations of \$5,000 each or any integral multiple thereof and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”). DTC will act as securities depository for the 2025 Bonds. Ownership interests in the 2025 Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof within a single maturity. So long as the 2025 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2025 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2025 Bonds in accordance with the procedures adopted by DTC. See “THE 2025 BONDS – Book-Entry and DTC.”

Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest will be payable from the date of the 2025 Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or if no interest has been paid on such Bond the interest will be payable from the date of issuance of the 2025 Bonds. “**Record Date**” means the 15th calendar day, whether or not such day is a business day, of the month preceding an Interest Payment Date.

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the owner of such Bond (the “**Bondowners**” or “**Owners**”), as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register as of the close of business on the preceding Record Date, except the Owner of at least \$1,000,000 in aggregate principal amount of Bonds may be paid by wire transfer in immediately available funds to an account of a bank or financial institution in the United States designated by such Owner if the Owner makes a written request of the Fiscal Agent on or prior to the applicable Record Date. The principal of the 2025 Bonds and any premiums due upon the redemption thereof are payable by check in lawful money of the United States of America upon presentation and surrender thereof at the Trust Office (as defined in the Fiscal Agent Agreement) of the Fiscal Agent.

## Debt Service Schedule

The following table presents the annual debt service on the 2025 Bonds, including sinking fund redemptions, and assuming that there are no optional redemptions or special mandatory redemptions from Special Taxes.

<b>Year Ending September 1</b>	<b>Interest</b>	<b>Principal</b>	<b>Total Debt Service</b>
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
<b>Total:</b>			

## Redemption

**Optional Redemption.** The 2025 Bonds maturing on and prior to September 1, 2031, are not subject to optional call and redemption. The 2025 Bonds maturing on and after September 1, 2032, are subject to optional call and redemption on any Interest Payment Date on or after September 1, 2031, in whole or in part, pursuant to the Act as directed by the Community Facilities District and by lot within a maturity, in integral multiples of \$5,000 from any source of funds at the following redemption prices, expressed as a percentage of the principal amount, together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2031 and March 1, 2032	103%
September 1, 2032 and March 1, 2033	102
September 1, 2033 and March 1, 2034	101
September 1, 2034 and any Interest Payment Date thereafter	100

**Mandatory Redemption from Prepaid Special Taxes.** The 2025 Bonds are subject to mandatory redemption prior to their stated maturities, in whole, or in part, on any Interest Payment Date for which timely notice can be given, in integral multiples of \$5,000 from moneys on deposit in the Prepayment Account of the Special Tax Fund, including amounts transferred from the Reserve Fund, as directed by the Community Facilities District, and by lot within a maturity, at the following redemption prices, expressed as a percentage of principal amount, together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date from September 1, 2025 through and including March 1, 2032	103%
September 1, 2032 and March 1, 2033	102
September 1, 2033 and March 1, 2034	101
September 1, 2034 and any Interest Payment Date thereafter	100

Such prepayments could be made by any of the owners of any of the property within Improvement Area No. 2, including the Developer or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See "BONDOWNERS' RISKS – Extraordinary Redemption from Prepaid Special Taxes."

**Mandatory Sinking Account Redemption.** The 2025 Bonds maturing September 1, 20\_\_ (the "**Term Bonds**"), will be called for redemption before maturity and redeemed from the Sinking Payments that have been deposited into the Redemption Fund on September 1, 20\_\_, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Payments set forth below. The Term Bonds so called for redemption shall be redeemed at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date without premium.



**Term Bonds Maturing on September 1, 20\_\_**

Sinking Account	
Redemption Date	Principal Amount
<u>(September 1)</u>	<u>to be Redeemed</u>

To the extent there is an optional redemption of Term Bonds or a mandatory redemption from Prepaid Special Taxes (as defined in the Fiscal Agent Agreement) as described above, the Sinking Payment schedules indicated above shall be proportionately reduced pro rata pursuant to written instructions from the authorized representative for each maturity with any excess amount applied to the latest maturity or Sinking Payment date as set forth in such written instructions.

***Purchase In Lieu of Redemption.*** In lieu or partially in lieu of call and redemption of Bonds, moneys deposited in the Redemption Fund created under the Fiscal Agent Agreement (the “**Redemption Fund**”) as set forth above may be used to purchase Outstanding Bonds in the manner hereinafter described. Purchases of Outstanding Bonds may be made by the Community Facilities District prior to the selection of Bonds for redemption by the Fiscal Agent, at public or private sale as and when and at such prices as the Community Facilities District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest and, in the case of redemption pursuant to optional redemption or mandatory redemption from Prepaid Special Taxes above, any applicable premium, and any accrued interest payable upon the purchase of Bonds may be paid from the amount in the Special Tax Fund for payment of interest on the next following Interest Payment Date.

***Notice of Redemption.*** When Bonds are to be called for redemption, the Fiscal Agent will give notice, in the name of the Community Facilities District of the redemption of such Bonds. Such notice of redemption will (a) specify the CUSIP and bond numbers, the Series and the maturity date or dates of the 2025 Bonds selected for redemption, or if all the bonds of one maturity, are to be redeemed, the bond numbers thereof need not be specified; (b) state the date fixed for redemption and surrender of the 2025 Bonds of the Series to be redeemed; (c) state the redemption price; (d) state the place or places where the 2025 Bonds are to be surrendered for redemption; and (e) in the case of a Bond to be redeemed only in part, state the portion of such Bond which is to be redeemed. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable.

At least 20 days but no more than 60 days prior to the redemption date, the Fiscal Agent will mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption will not be a condition precedent thereto, and neither the failure to receive such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest from and after the date fixed for redemption.

***Conditional Redemption; Notice and Rescission of Redemption.*** Any notice of optional redemption notice may specify that redemption of the 2025 Bonds designated for redemption on the specified date will be subject to the receipt by the Community Facilities District and/or the Fiscal Agent, as applicable, of moneys sufficient to cause such redemption (and will specify the proposed source(s) of such moneys), and neither the Community Facilities District nor the Fiscal Agent will have any liability to the Owners of any Bonds, or any other party, as a result of the Community Facilities District's failure to redeem the 2025 Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the Community Facilities District may rescind any optional redemption, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the 2025 Bonds so called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. Neither the Community Facilities District nor the Fiscal Agent shall have any liability to the Owners of any Bonds, or any other party, as a result of the Community Facilities District's decision to rescind a redemption of any Bonds pursuant to the Fiscal Agent Agreement.

***Selection of Bonds for Redemption.*** If less than all of the Outstanding Bonds are to be redeemed, the Fiscal Agent will select the 2025 Bonds to be redeemed as directed by the Community Facilities District and by lot within each maturity in any manner which the Fiscal Agent deems fair; *provided, however*, that the portion of any bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that in selecting portions of such Bonds for redemption, the Fiscal Agent shall treat each such Bond as representing that number of Bonds of \$5,000 denominations which is contained by dividing the principal amount of such Bond to be redeemed in part by \$5,000 and provided that any redemption from Prepaid Special Taxes shall be on a pro rata basis among maturities of the 2025 Bonds specified by the Community Facilities District to the Fiscal Agent.

***Effect of Notice and Availability of Redemption Money.*** Notice of redemption having been duly given, as provided in the Fiscal Agent Agreement, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (i) the 2025 Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Fiscal Agent Agreement, anything in the Fiscal Agent Agreement or in the 2025 Bonds to the contrary notwithstanding; (ii) upon presentation and surrender thereof at the Trust Office of the Fiscal Agent, or such other location as may be designated by the Fiscal Agent, the redemption price of such 2025 Bonds will be paid to the Owner thereof; (iii) from and after the redemption date, the 2025 Bonds or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds or portions thereof will cease to bear further interest; and (iv) from and after the date fixed for redemption, no Owner of any of the 2025 Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Fiscal Agent Agreement, or to any other rights, except with respect to payment of the redemption price, including any applicable redemption premium, and interest accrued to the redemption date from the amounts so made available.

## Issuance of Additional Bonds

**Additional Bonds.** In addition to the 2025 Bonds, the Community Facilities District may issue one or more additional series of bonds or other indebtedness (collectively, “**Additional Bonds**”) payable from Net Special Tax Revenues on a parity with the 2025 Bonds, in such principal amount as may be determined by the School District, under a Supplemental Agreement entered into by the School District and the Fiscal Agent, provided that Additional Bonds may only be issued as Refunding Bonds. Any such Additional Bonds will constitute Bonds under the Fiscal Agent Agreement and will be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the 2025 Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding thereunder.

The School District may issue such Additional Bonds subject to the specific conditions precedent set forth in the Fiscal Agent Agreement.

**Refunding Bonds.** Under the Fiscal Agent Agreement, the term “**Refunding Bonds**” is defined as Additional Bonds issued by the Community Facilities District with respect to Improvement Area No. 2, the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the principal and interest on the Additional Bonds to their final maturity date is less than the principal and interest on the Outstanding Bonds being refunded to their final maturity date, and the final maturity of the Additional Bonds is not later than the final maturity of the Outstanding Bonds being refunded.

**Subordinate Bonds.** Nothing in the Fiscal Agent Agreement prohibits the School District from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

See APPENDIX C for additional details regarding the conditions for issuing Additional Bonds.

## Registration, Transfer and Exchange

*The following provisions regarding the exchange and transfer of the 2025 Bonds apply only during any period in which the 2025 Bonds are not subject to DTC’s book-entry system. While the 2025 Bonds are subject to DTC’s book-entry system, their exchange and transfer will be effected through DTC and DTC’s participants and will be subject to the procedures, rules and requirements established by DTC. See APPENDIX F.*

**Registration.** The Fiscal Agent will keep or cause to be kept, at its Trust Office, sufficient records for the registration and transfer of ownership of the 2025 Bonds, which shall be open to inspection during regular business hours and upon reasonable prior notice by the Community Facilities District, and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2025 Bonds. The Community Facilities District and the Fiscal Agent may treat and consider the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all the purposes, including for payment of principal of and interest on such Bond, for the purpose of giving notices of redemption, if applicable, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond. It is the duty of the Bondowner to give written

notice to the Fiscal Agent of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

***Registration of Exchange or Transfer.*** The registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the Trust Office of the Fiscal Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Fiscal Agent and duly executed by the Bondowner in the form set forth on the Bond or otherwise in a form approved by the Fiscal Agent. The Owner requesting such transfer is required to pay any tax or other governmental charge required to be paid with respect to such transfer.

The 2025 Bonds may be exchanged at the Trust Office of the Fiscal Agent for a like aggregate principal amount of Bonds of other Authorized Denominations of the same maturity. The Fiscal Agent will not charge the Owner a fee for any new Bond issued upon any exchange but will require the Bondowner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

Whenever any Bond or Bonds are surrendered for registration of transfer or exchange, the Community Facilities District will execute, and the Fiscal Agent will authenticate and deliver in the name of the transferee or in the name of the existing Owner in the case of any exchange, a new Bond or Bonds of authorized denominations, of the same maturity, for a like aggregate principal amount; *provided*, that the Fiscal Agent will not be required to register transfers or make exchanges of Bonds (i) between a Record Date and the immediately succeeding Interest Payment Date, (ii) within 15 days prior to the date designated by the Fiscal Agent as the date for selecting Bonds for redemption, or (iii) selected for redemption.



## SECURITY FOR THE BONDS

### General

***Pledge of Net Special Taxes and Funds.*** Subject to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Net Special Taxes and any other amounts (including proceeds of the sale of the Bonds) held in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund will be pledged to secure the payment of the principal of, premium, if any, and interest on the 2025 Bonds and any Additional Bonds (collectively, the “**Bonds**”). This pledge constitutes a first lien on such assets.

The payment of the principal of and interest on the Bonds and any redemption premiums will be exclusively paid from the Net Special Taxes and other amounts in the Bond Fund and the Reserve Fund.

The amount of Special Taxes that the Community Facilities District may levy in any year is strictly limited by the maximum rates approved by the qualified electors Improvement Area No. 2, as set forth in the Rate and Method. See “– Rate and Method” below.

Amounts in the Administrative Expense Fund, the Rebate Fund, the Improvement Fund and the Residual School Facilities Fund are *not* pledged to the repayment of the Bonds. No part of the Project to be financed with the proceeds of the Bonds is 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.*** “**Net Special Taxes**” is defined in the Fiscal Agent Agreement as the amount of all Gross Taxes, less the Administrative Expense Requirement.

“**Gross Taxes**” is defined in the Fiscal Agent Agreement as (i) the amount of all collected Special Taxes for Improvement Area No. 2, (ii) proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes, and (iii) proceeds from any security for payment of Special Taxes for Improvement Area No. 2 taken in lieu of foreclosure; *provided, however*, that the Community Facilities District may waive payment of penalties and interest accruing in connection with delinquent Special Tax payments and to the extent waived, such amounts shall not constitute Gross Taxes.

“**Special Taxes**” is defined in the Fiscal Agent Agreement as the special taxes authorized to be levied by the Community Facilities District in Improvement Area No. 2 in accordance with the Ordinance, the Resolution of Formation, the Act and the approval of the qualified electors thereof. See “– Rate and Method” below.

“**Administrative Expenses**” is defined in the Fiscal Agent Agreement as the ordinary and necessary fees and expenses for proceedings of the Community Facilities District, issuance of the Bonds, determination of the Special Tax and administering the levy and collection of the Special Tax and of servicing the Bonds, including any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the Community Facilities District in carrying out their duties under the Fiscal Agent Agreement (including, but not limited to, annual audits, special tax consultants and attorneys, and costs

incurred in the levying and collection of the Special Taxes, the costs incurred in the foreclosure of parcels delinquent in the payment of Special Taxes and costs of compliance with disclosure obligations of the Community Facilities District) including the fees and expenses of its counsel, an allocable share of the salaries of staff to the School District directly related thereto and a proportionate amount of general administrative overhead related thereto and all other costs and expenses of the School District (acting as administrator of the Community Facilities District), Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices, as dissemination agent (the “**Dissemination Agent**”) and the Fiscal Agent incurred in connection with the discharge of their respective duties under the Fiscal Agent Agreement and, in the case of the School District, in any way related to the administration of the CFD, including “Administrative Expenses” as defined in the Rate and Method of Apportionment.

## **Special Taxes**

In the Fiscal Agent Agreement, the Community Facilities District will covenant that, so long as any Bonds are outstanding, it will levy the Special Taxes in an amount which, together with other amounts on deposit in the Special Tax Fund and available for this purpose, is sufficient to pay the principal of and interest on the Bonds becoming due and payable during the Bond Year commencing in such fiscal year, the Administrative Expenses estimated for such year, and any amounts required to replenish the Reserve Fund to the Reserve Requirement (collectively, the “**Special Tax Requirement**”).

No assurance can be given that the amounts collected in any given year will, in fact, equal the Special Tax Requirement due to a variety of factors, including the maximum Special Tax rates and the maximum term of the Special Tax levy on each parcel of Taxable Property in Improvement Area No. 2 imposed by the Rate and Method. See “– Rate and Method” below.

***Procedure for Special Tax Levy.*** Under the Act, the Community Facilities District will annually ascertain from the County Assessor 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.

The Community Facilities District will 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 the County Auditor will accept the transmission of the Special Tax amounts for the parcels within Improvement Area No. 2 for inclusion on the next real property tax roll.

Upon the completion of the computation of the amounts of the levy, the Community Facilities District will prepare or cause to be prepared, and transmit to the County Auditor, such data as the County Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

***Special Tax Levy Amount.*** Under the Fiscal Agent Agreement, the Community Facilities District will fix and levy the amount of Special Taxes in Improvement Area No. 2 in accordance with the Rate and Method and, subject to the limitations in the Rate and Method as to the annual Maximum Special Tax (as defined in the Rate and Method) that may be levied, in an amount sufficient to yield the following:

- the amount required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the Bond Year commencing in such Fiscal Year,

- the amount required for any necessary replenishment of the Reserve Fund, and
- the amount estimated to be sufficient to pay the Administrative Expenses during such year,

in each case taking into account the balances in the funds and accounts established under the Fiscal Agent Agreement.

***Manner of Collection.*** The Fiscal Agent Agreement provides that the Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as ordinary ad valorem property taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

## **Rate and Method**

***General.*** The Special Tax is levied and collected according to the Rate and Method, which provides the means by which the Board may annually levy the Special Taxes in Improvement Area No. 2, up to the Maximum Special Tax, and to determine the amount of the Special Tax to be collected each Fiscal Year from the “**Taxable Property**” in Improvement Area No. 2.

The following is a synopsis of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached as APPENDIX B. The meaning of the defined terms used in this section are as set forth in APPENDIX B.

*This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX B.*

***Special Tax Requirement.*** Annually, at the time of levying the Special Tax, the Board will determine the Special Tax Requirement, which will be the amount required in any Fiscal Year to pay the following:

- (i) Administrative Expenses,
- (ii) debt service on all Outstanding Bonds (as defined in the Rate and Method) due in the calendar year commencing in such Fiscal Year,
- (iii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds,
- (iv) any amounts required to replenish any reserve funds for all Outstanding Bonds,
- (v) directly for the acquisition or construction of facilities that are eligible to be financed through Improvement Area No. 2 under the Act, as reasonably determined by the School District, so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to the Undeveloped Property,
- (vi) reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within Improvement Area No. 2 levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities

districts of the School District, so long as the inclusion of such amount does not cause an increase in the Special Tax levy attributable to the Undeveloped Property prior to the issuance of Bonds,

less a credit for funds available to reduce the annual Special Tax levy, as determined by the Deputy Superintendent, Business Services of the School District.

***Developed Property, Undeveloped Property, Taxable Property, Property Owner Association Property, Public Property, or Exempt Property.*** The Rate and Method declares that for each Fiscal Year, all Assessor's Parcels will be classified as Taxable Property or Exempt Property and all Assessor's Parcels of Taxable Property will be classified as Developed Property, Undeveloped Property, Property Owner Association Property, or Public Property.

**"Developed Property"** means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to May 1<sup>st</sup> of the prior Fiscal Year.

**"Undeveloped Property"** means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Property Owner Association Property, or Public Property as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year.

**"Taxable Property"** means all of the Assessor's Parcels within the boundaries of Improvement Area No. 2 in the Community Facilities District which have not been prepaid pursuant to the Rate and Method or, which are not exempt from the Special Tax pursuant to law or the Rate and Method.

**"Property Owner Association Property"** means, for each Fiscal Year, any property within the boundaries of Improvement Area No. 2 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year, provided, however, that no such classification shall reduce the Acreage of all Taxable Property within Improvement Area No. 2 to less than 8.05 acres in Zone A and 11.50 acres in Zone B.

**"Public Property"** means, for each Fiscal Year, any property within the boundaries of Improvement Area No. 2 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably dedicated to the federal government, the State, the County, or any other public agency, including school districts, as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year or (ii) encumbered by a public or utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year, provided, however, that no such classification shall reduce the Acreage of all Taxable Property within Improvement Area No. 2 to less than 8.05 acres in Zone A and 11.50 acres in Zone B and provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use whichever is greater.



**“Exempt Property”** is defined to include any Assessor’s Parcel within the Boundaries of Improvement Area No. 2 that is owned or irrevocably dedicated to a public agency as of the date of formation of Improvement Area No. 2;

Notwithstanding the above, the Deputy Superintendent, Business Services of the School District will not classify an Assessor’s Parcel as Exempt Property if such classification would reduce the acreage of all Taxable Property within Improvement Area No. 2 to less than 8.05 Acres in Zone A and 11.50 Acres in Zone B. Assessor’s Parcels that would, if designated as Exempt Property, cause the Acreage of all Taxable Property within Zone A to be less than 8.05 Acres or within Zone B to be less than 11.50 Acres shall be required to either (i) prepay the Special Tax for such Assessor’s Parcel in full at the then applicable Maximum Special Tax rate per Acre for Property Owner Association Property or Public Property, applied to the Acres of such Assessor’s Parcel, which resulting amount will be used as the Assigned Special Tax in the calculation of the prepayment according to the Rate and Method or (ii) be subject to taxation pursuant to the third step of the method of apportionment of the Special Tax set forth in the Rate and Method

**Maximum Special Tax.** The Maximum Special Tax is defined in the Rate and Method as follows:

**Developed Property.** The Maximum Special Tax for each Assessor’s Parcel of Developed Property that is classified as Residential Property will be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Assigned Special Tax for Developed Property in Fiscal Year 2025-26 ranges from \$2,170.28 to \$2,462.53 per Assessor’s Parcel for Zone A and \$2,430.06 to \$2,543.72 per Assessor’s Parcel for Zone B. Each July 1, the Assigned Special Tax for each Assessor’s Parcel of Developed Property will be increased by 2% of the amount in effect in the prior Fiscal Year.

The **“Backup Special Tax”** is calculated based on the number of Lots created by each Final Map recorded in Improvement Area No. 2 (See “IMPROVEMENT AREA NO. 2 OF THE COMMUNITY FACILITIES DISTRICT”). The Lots have been created by a Final Map, and the Backup Special Tax for an Assessor’s Parcel of Developed Property for Fiscal Year 2025-26 is \$2,423.70 per parcel for Zone A and \$2,636.57 per parcel for Zone B within Improvement Area No. 2 (based on the Acreage of Taxable Property).

**Undeveloped Property, Property Owner Association Property and Public Property.** The Maximum Special Tax for Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt will be \$19,458.23 per acre for Zone A and \$17,649.75 per acre for Zone B for Fiscal Year 2025-26. Each July 1, the Maximum Special Tax for Undeveloped Property, Property Owner Association Property and Public Property will increase by 2% of the amount in effect in the prior Fiscal Year.

**Method of Apportionment.** Under the Rate and Method, the Board will levy an annual Special Tax each Fiscal Year as follows:

First: The Special Tax will be levied on each Assessor's Parcel of Developed Property in an amount equal to the applicable Assigned Special Tax.

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax will be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax for Undeveloped Property to satisfy the Special Tax Requirement.

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax will be levied Proportionately on each Assessor's Parcel of Public Property and Property Owner Association Property which is not Exempt Property at up to 100% of the Maximum Special Tax for Property Owner Association Property and Public Property to satisfy the Special Tax Requirement; and

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the levy of the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax will be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax.

**Prepayment of Special Taxes.** The Special Tax obligation of an Assessor's Parcel may be prepaid in full and in certain cases in part, *provided* that there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time the Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment will be determined, based on the present value of the Assigned Special Tax, all as specified in the Rate and Method, attached hereto as APPENDIX B.

**Appeals.** Any property owner claiming that the amount or application of any Special Tax is not correct may file a written notice of appeal with the Deputy Superintendent, Business Services of the School District not later than 12 months after having paid the first installment of the Special Tax that is disputed. The Deputy Superintendent, Business Services of the School District will promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Deputy Superintendent, Business Services of the School District's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund will not be made (except for the last year of levy), but an adjustment will be made to the annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

**Duration of Special Tax Levy.** The Special Tax will be levied for a term of 35 years as Developed Property from the first levy of special taxes on an applicable Assessor's Parcel as Developed Property.

## Proceeds of Foreclosure Sales

***Foreclosure Proceedings.*** Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax, the Community Facilities District may order the institution of a superior court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Under the provisions of the Act, such judicial foreclosure action is not mandatory.

Under the Fiscal Agent Agreement, on or about July 15 of each Fiscal Year (or as reasonably practicable thereafter as fiscal year end collection information is available from the County), the Community Facilities District will review or cause to be reviewed, the public records of the County in connection with the Special Tax of Improvement Area No. 2 levied in the Fiscal Year ending prior to such July to determine the amount of such Special Tax actually collected in such Fiscal Year.

(A) *Individual Delinquencies.* If the Community Facilities District determines that any single parcel subject to the Special Tax in Improvement Area No. 2 is delinquent in the payment of all or a portion of five semi-annual installments of Special Taxes in Improvement Area No. 2, the Community Facilities District will, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. If a delinquency remains uncured, the Community Facilities District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 120 days after such determination against any parcel for which a notice of delinquency was given and for which such Special Taxes remain delinquent, to the extent permissible under applicable law.

(B) *Aggregate Delinquencies.* With respect to aggregate delinquencies throughout Improvement Area No. 2, if the Community Facilities District determines (i) that the total amount of delinquent Special Taxes for the prior Fiscal Year, including the total of delinquencies under Individual Delinquencies above, exceeds 5% of the total Special Taxes due and payable for the prior Fiscal Year and (ii) the Reserve Fund is less than the Reserve Requirement as a result of a draw on such Reserve Fund, then the Community Facilities District will, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The Community Facilities District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 120 days after such determination against any parcel in Improvement Area No. 2 for which a notice of delinquency was given and for which such Special Taxes remain delinquent, to the extent permissible under applicable law; provided, however, that notwithstanding the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel in relation to the cost of appropriate foreclosure proceedings may be such that the costs do not warrant the foreclosure proceedings costs. In such cases, foreclosure proceedings may be delayed by the Community Facilities District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost. The Community Facilities District shall notify the Fiscal Agent on or about 75 days after the determinations of delinquencies as set forth in the second sentence of this paragraph of any delinquency potentially requiring the commencement of a foreclosure action pursuant hereto and counsel to the Community Facilities District will commence, or cause to be commenced, such proceedings not later than 120 days following the determination referenced in the second sentence of this paragraph.

(C) *Limiting Provisions.* Notwithstanding the foregoing, however, the Community Facilities District will not be required to order, or take action upon, the commencement of foreclosure proceedings described in (A) and (B) above, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement and no draw has been made on the Reserve Fund, which has not been restored, such that the Reserve Fund will be funded to at least the Reserve Requirement. The foregoing sentence will not affect the requirement(s) for notices of delinquencies as provided for in subsection (A) above.

The net proceeds received following a judicial foreclosure sale of land in Improvement Area No. 2 resulting from a property owner's failure to pay the Special Taxes when due are included within the Net Special Taxes pledged to the payment of principal of and interest on the Bonds under the Fiscal Agent Agreement.

The Community Facilities District reserves the right to elect to accept payment from a property owner of at least the enrolled amount of the Special Taxes for a parcel(s) but less than the full amount of the penalties, interest, costs and attorneys' fees related to the Special Tax delinquency for such parcel(s).

Further, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary, in connection with any judicial foreclosure proceeding related to delinquent Special Taxes, the Community Facilities District or the Fiscal Agent, acting on behalf of the Community Facilities District, is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in the Act or such lesser amount as determined in the Fiscal Agent Agreement or otherwise under the Act.

The Community Facilities District may permit, in its sole and absolute discretion, property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the 2025 Bondowners.

***2025 Bondowners are deemed to have consented to the foregoing reserved rights of the Community Facilities District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary. The 2025 Bondowners, by their acceptance of the 2025 Bonds, consent to such payment acceptance for such lesser amounts in the third paragraph preceding this paragraph and consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the Community Facilities District and the School District, and their respective officers and agents, from any liability in connection therewith as described in the preceding paragraph.***

It should be noted that any foreclosure proceedings commenced as described above could be stayed by the commencement of bankruptcy proceedings by or against the owner of the delinquent property. See "BONDOWNERS' RISKS – Bankruptcy and Foreclosure Delay."

***Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays.*** No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. See "BONDOWNERS' RISKS – Potential Delay and Limitations in Foreclosure Proceedings." If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Community Facilities District) must cause a notice of levy to

be issued. Under current law, a judgment debtor (property owner) has 120 days (or in some cases a shorter period) from the date of service of the notice of levy and 20 days from the subsequent notice of sale in which to redeem the property to be sold. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made. The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price unless a lesser minimum bid price is authorized by the Owners of 75% of the principal amount of the Bonds Outstanding.

No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the School District or the Community Facilities District to purchase or otherwise acquire any lot or parcel of property offered for sale or subject to foreclosure if there is no other purchaser at such sale. The Act does specify that the Special Tax will have the same lien priority in the case of delinquency as for *ad valorem* property taxes.

If the Reserve Fund is depleted and delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property in future fiscal years to provide an amount, taking into account such delinquencies, required to pay debt service on the Bonds and to replenish the Reserve Fund. There is, however, no assurance that the Maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Bonds by the Fiscal Agent Agreement.

The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of Improvement Area No. 2 and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District and the Resolution of Formation provides that under no circumstances will the Special Taxes levied against any parcel in Improvement Area No. 2 be increased as a consequence of delinquency or default by the owner of any parcel or parcels in Improvement Area No. 2 by more than 10% in any fiscal year.

## **Special Tax Fund**

Pursuant to the Fiscal Agent Agreement, no later than the last Business Day of the month in which the County Auditor of the County of Riverside makes an apportionment of tax revenues, including Special Taxes and other amounts constituting Gross Taxes, if any, and such apportionment is transferred to the Fiscal Agent on behalf of the Community Facilities District (any such apportionment being hereinafter referred to as an “**Apportionment**”) (exclusive of Prepaid Special Taxes received which shall be deposited into the Prepayment Account of the Special Tax Fund), the Fiscal Agent shall deposit such Apportionment and any other amounts constituting Gross Taxes in the Special Tax Fund, to be held and transferred on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

(1) the Administrative Expense Fund, the amount of \$28,154.06 for Fiscal Year 2025-26, escalating at 2% per Fiscal Year for each successive Fiscal Year, or such lesser amount as is directed by the Community Facilities District;

(2) the Interest Account of the Bond Fund an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds on such Interest Payment Date. Moneys in the Interest Account will be used for the payment of interest on the Bonds as the same become due;

(3) the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Bonds during the current Bond Year;

(4) the Sinking Account of the Redemption Fund an amount up to the amount needed to make the Sinking Payments due on the Bonds during the current Bond Year;

(5) the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement;

(6) provided all the amounts due in the current Bond Year are funded under (2), (3), (4), and (5) above, to the extent the Administrative Expense Requirement deposited under (1) above is not sufficient to pay the Administrative Expenses until collection of Special Taxes in the next Fiscal Year, to Administrative Expense Fund in the amount required to bring the balance therein to an amount sufficient to pay such expenses;

(7) the Rebate Fund, the amount, if any, necessary to fund the Rebate Requirement pursuant to the Fiscal Agent Agreement; and

(8) any remaining Special Taxes and other amounts constituting Gross Taxes shall remain in the Special Tax Fund until the end of the Bond Year. At the end of the Bond Year any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal of and interest on the Bonds (including payment of Sinking Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (5), above, or to pay current or pending Administrative Expenses as provided for in (1) and (6), above, will be, upon request of an Authorized Representative, deposited in the Residual School Facilities Fund and used in accordance with the Fiscal Agent Agreement and will be free and clear of any lien thereon or pledge under the Fiscal Agent Agreement; *provided*, any funds which are required to cure any delinquency described above will be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

There will also be deposited into the Special Tax Fund such available moneys as the Community Facilities District determines, to be applied in accordance with the Fiscal Agent Agreement, including moneys to be deposited into the Redemption Fund to be applied to the payment or redemption of Bonds pursuant to the Fiscal Agent Agreement. Upon provision for payment or redemption of all Outstanding Bonds and after payment of any amounts due to the Fiscal Agent, all moneys remaining in the Special Tax Fund will be paid to the School District and for any permissible purposes.

Moneys deposited into, or held within, the Residual School Facilities Fund are not pledged to the payment of principal, interest or premiums on the Bonds.

At the date of the redemption, defeasance, or maturity of the last Bond and after all principal and interest then due on any Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, moneys in the

Special Tax Fund will be transferred to the Community Facilities District by the Fiscal Agent and may be used by the Community Facilities District for any lawful purpose.

***Prepayment Account of the Special Tax Fund.*** Prepaid Special Taxes collected by the Community Facilities District (net of any costs of collection) will be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and the Community Facilities District will direct the Fiscal Agent to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes will be held in the Prepayment Account for the benefit of the Bonds and will be transferred by the Fiscal Agent to the Redemption Account of the Redemption Fund to redeem Bonds on the next Interest Payment Date for which notice can be given in accordance with the special mandatory redemption provisions of the Fiscal Agent Agreement and applied to redeem Bonds as set out in the Fiscal Agent Agreement. Moneys representing the Prepaid Special Taxes will be invested in accordance with the provisions of the Fiscal Agent Agreement. Investment earnings on amounts in the Prepayment Account not needed to redeem the Bonds pursuant to special mandatory redemption provisions of the Fiscal Agent Agreement will be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Redemption Fund.

***Investment.*** Moneys in each account in the Special Tax Fund will be invested and deposited by the Community Facilities District as described in “Investment of Moneys in Funds” below. Interest earnings and profits resulting from such investment and deposit will be retained in the applicable account in the Special Tax Fund to be used for the purposes thereof.

## **Bond Fund**

Within the Bond Fund, the Fiscal Agent will create and hold an Interest Account and a Principal Account. The principal of and interest on the Bonds until maturity, except principal coming due upon the redemption of Bonds, will be paid by the Fiscal Agent from the Bond Fund. At the maturity of the Bonds and, after all principal and interest then due on the Bonds then Outstanding has been paid or provided for, moneys in the Bond Fund shall be transferred to the Special Tax Fund.

One Business Day prior to each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund or the Reserve Fund, in the event that sufficient moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to all of the principal and all of the interest due and payable on Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund available to pay principal and/or interest on such Bonds. The Fiscal Agent will apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Bonds on each Interest Payment Date.

Moneys in the Bond Fund shall be invested in accordance with the Fiscal Agent Agreement. All investment earnings and profits resulting from such investment will be retained in the accounts established for the Bonds in the Bond Fund and used to pay principal of and interest on the Bonds. Upon final maturity of the Bonds and the payment of all principal of and interest on the Bonds, any moneys remaining in the Bond Fund will be transferred to the Special Tax Fund.

## **Redemption Fund**

After making the deposits to the Bond Fund as described in “Bond Fund” above and to the Sinking Account of the Redemption Fund for Sinking Payments then due and in accordance with



the Community Facilities District's election to call Bonds for optional redemption, the Fiscal Agent will transfer from the Special Tax Fund and deposit in the Redemption Account of the Redemption Fund moneys available for the purpose and sufficient to redeem, at the premiums payable as provided for any Bonds called for optional redemption.

Prepaid Special Taxes collected by the Community Facilities District (net of any costs of collection) will be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and the Community Facilities District will direct the Fiscal Agent in writing to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes will be held in the Prepayment Account for the benefit of the Bonds and will be transferred by the Fiscal Agent to the Redemption Account of the Redemption Fund to call Bonds on the next Interest Payment Date for which notice can be given in accordance with the extraordinary mandatory redemption provisions as set forth in the Fiscal Agent Agreement. No later than the Business Day prior to redemption of Bonds from Prepaid Special Taxes, the greatest portion of the Prepaid Special Taxes in the Prepayment Account as may be used to redeem Bonds will be transferred to the Redemption Account and applied to call Bonds on a pro rata basis among maturities of the Bonds specified by the Community Facilities District to the Fiscal Agent and the Community Facilities District will provide a revised Sinking payment schedule for the outstanding Term Bonds. Moneys representing the Prepaid Special Taxes will be invested in accordance with the Fiscal Agent Agreement. Investment earnings on amounts in the Prepayment Account not needed to redeem the Bonds pursuant to the special mandatory redemption provisions of the Fiscal Agent Agreement will be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Redemption Fund.

Except as described in the following paragraph relating to the purchase of Bonds, moneys set aside in the Redemption Fund will be used solely for the purpose of redeeming Bonds and will be applied on or after the redemption date to the payment of principal and premium, if any of and interest on the Bonds to be redeemed upon presentation and surrender of such Bonds.

In lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Fund as set forth above may be used to purchase Outstanding Bonds in the manner described in "THE 2025 BONDS – Redemption – *Purchase in Lieu of Redemption*" above.

## **Reserve Fund**

In order to further secure the payment of principal of and interest on the 2025 Bonds and any future series of Additional Bonds, certain proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the Reserve Requirement (see "THE FINANCING PLAN – Sources and Uses of Funds" herein). The "**Reserve Requirement**" is defined in the Fiscal Agent Agreement to mean, as of any date of calculation, an amount equal to the least of (i) 10% of the proceeds of the Bonds, (ii) Maximum Annual Debt Service on the Outstanding Bonds, or (iii) 125% of average annual debt service on the Bonds; provided, however,

(a) for purposes of clause (i), "proceeds" means the par amount of the Bonds, except that the issue price of the 2025 Bonds or any Additional Bonds excluding accrued interest shall be used rather than the par amount, if (1) the net original issue discount or premium of the 2025 Bonds or any Additional Bonds was less than 98% or more than 102% of the original principal amount of the 2025 Bonds or any Additional Bonds and (2) using the issue price would produce a lower result than using the par amount;

(b) that in no event shall the amount calculated exceed the amount on deposit in the Reserve Fund on the date of issuance of the 2025 Bonds (if they are the only Bonds covered by the Reserve Fund) or the most recently issued series of Additional Bonds except in connection with any increase associated with the issuance of Additional Bonds; and

(c) that in no event shall the amount required to be deposited into the Reserve Fund in connection with the issuance of a series of Additional Bonds exceed the maximum amount under the Code that can be financed with tax-exempt bonds and invested at an unrestricted yield.

As of the Closing Date, the Reserve Requirement will be \$\_\_\_\_\_.

An amount equal to the Reserve Requirement will be maintained in the Reserve Fund. Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the Bonds, the Reserve Requirement will thereafter be determined by the Community Facilities District and communicated to the Fiscal Agent in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as described under this caption "Reserve Fund."

Except as provided below with respect to certain investment earnings, moneys in the Reserve Fund will be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Sinking Payments, and interest on Bonds when due to the extent that moneys in the Interest Account and the Principal Account of the Bond Fund or moneys in the Sinking Account, are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the Community Facilities District; (iii) making any transfers to the Bond Fund or Redemption Fund in connection with prepayments of the Special Taxes; (iv) paying the principal and interest due on Bonds in the final Bond Year; and (v) application to the defeasance of such Bonds in accordance with the Fiscal Agent Agreement. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Account of the Redemption Fund are insufficient to pay the principal of, including Sinking Payments, or interest on the Bonds when due, the Fiscal Agent will, one Business Day prior to an Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking Account of the Redemption Fund, moneys necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund or the Sinking Account of the Redemption Fund, the Fiscal Agent will notify the Community Facilities District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the Community Facilities District will include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted Maximum Special Tax rates.

Moneys in the Reserve Fund used to offset the amount required to be collected through the Special Tax levy in the last year or years of collection will be transferred to the Bond Fund or the Redemption Fund on or prior to the last day of August preceding the final maturity date; at the option of an authorized representative, such moneys may be used (i) to pay principal of and interest on the Bonds when due, (ii) for optional redemption of Bonds pursuant to the Fiscal Agent Agreement on the earliest date on which all Bonds Outstanding may be redeemed or (iii) for the purchase of Outstanding Bonds in the manner described in "THE 2025 BONDS – Redemption – *Purchase in Lieu of Redemption*," but only if, concurrently with any such redemption or purchase, all of the Bonds Outstanding are to be redeemed, refunded or purchased. In no event will amounts in the Reserve Fund be used to pay fees or expenses of the Fiscal Agent or its counsel.

Moneys in the Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. Notwithstanding any provision in the Fiscal Agent Agreement to the contrary, moneys in the Reserve Fund in excess of the Reserve Requirement (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement) will be withdrawn on each March 1 and applied as follows: (i) until such time as the Construction Fund is closed, all investment earnings on amounts in the Reserve Fund (exclusive of amounts required to be transferred to the Rebate) identified in writing by the Community Facilities District and moneys needed to restore the Reserve Fund to the Reserve Requirement will be deposited to the School Facilities Account of the Construction Fund; (ii) after the expiration of the transfers under (i) all investment earnings on amounts in the Reserve Fund since the previous Interest Payment Date (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement identified in writing by the Community Facilities District and moneys needed to restore the Reserve Fund to the Reserve Requirement) will be transferred to the Interest Account of the Bond Fund and (iii) any remaining excess will be transferred to the Principal Account of the Bond Fund or to the Sinking Account of the Redemption Fund to the extent required to make any principal payments or Sinking Payments on the next following Interest Payment Date. The Fiscal Agent will transfer moneys in the Reserve Fund in excess of the Reserve Requirement from Reserve Fund earnings upon written direction of the Community Facilities District.

Notwithstanding anything in the Fiscal Agent Agreement to the contrary, the Fiscal Agent will transfer to the Reserve Fund, from available moneys in the Special Tax Fund, the amount needed to restore the Reserve Fund to the Reserve Requirement as specified in the Fiscal Agent Agreement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Fund only if such amounts will not be needed to make the deposit required to be made to the Interest Account and the Principal Account of the Bond Fund or the Sinking Account of the Redemption Fund for the next Interest Payment Date.

The Reserve Requirement, or any portion thereof, may be satisfied by crediting to the Reserve Fund moneys, a letter of credit, a surety policy, or any other comparable credit facility or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement; however, the long-term unsecured debt or claims-paying ability, as the case may be, of the provider of any such letter of credit, surety policy, or any other comparable credit facility, must have a rating of at least "A1" from Moody's or "A+" from S&P (provided that the Fiscal Agent will be under no obligation and have no responsibility whatsoever to independently determine or verify such rating other than at the time of delivery). In the event of the use of such a surety, the Fiscal Agent will be provided with copies of all documents in regard thereto and will, to the extent not in conflict with the provisions of the Fiscal Agent Agreement, conform to the forms thereof for purposes of submitting draws and making reimbursements, thereon. See APPENDIX C for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

### **Construction Fund**

Pursuant to the Fiscal Agent Agreement, moneys in the Construction Fund may be used exclusively to pay (i) costs of issuance, and (ii) the Project costs, at the direction of the Community Facilities District, subject to investment limitations set forth in the Fiscal Agent Agreement.

### **Administrative Expense Fund**

The Fiscal Agent will receive the transfer of Special Taxes from the Special Tax Fund and

deposit in the Administrative Expense Fund amounts to pay Administrative Expenses as described above in “ – Special Tax Fund.”

Pursuant to the Fiscal Agent Agreement, moneys in the Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Owners of the Bonds and will not be available for the payment of debt service on the Bonds.

### **Residual School Facilities Fund**

Moneys in the Residual School Facilities Fund may be used for acquisition and/or construction of the project school facilities; to make deposits to the Rebate Fund under the Fiscal Agent Agreement for the purposes of paying rebatable arbitrage as and when such is due in accordance with the Fiscal Agent Agreement or, at the option of the Community Facilities District, for the optional redemption of any of the Bonds under the Fiscal Agent Agreement.

The Residual School Facilities Fund will be funded from surplus Special Taxes transferred to the Residual School Facilities Fund from the Special Tax Fund pursuant to the Fiscal Agent Agreement.

Pursuant to the Fiscal Agent Agreement, moneys in the Residual School Facilities Fund will not be construed as a trust fund held for the benefit of the Owners of the Bonds and will not be available for the payment of debt service on the Bonds.

### **Investment of Moneys in Funds**

Moneys held in any of the funds and accounts under the Fiscal Agent Agreement will be invested at the written direction of the authorized representative of the Community Facilities District only in Permitted Investments which will be deemed at all times to be a part of such funds and accounts.

Moneys in all funds and accounts except for the Reserve Fund and the Rebate Fund will be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Fiscal Agent for the purposes specified in the Fiscal Agent Agreement. Moneys in the Reserve Fund will be invested in Permitted Investments, maturing in such amounts on the Business Day preceding the next succeeding Interest Payment Dates so that moneys will be available in the Reserve Fund in accordance with the provisions of the Fiscal Agent Agreement to make the principal (including Sinking Payments) and interest payments on the Bonds when due in the event that the moneys in the Bond Fund are insufficient therefor or in the event that the moneys in the Redemption Fund are insufficient to make a mandatory sinking payment redemption payment; *provided, however*, that if such investments may be tendered or redeemed without premium on the Business Day prior to each Interest Payment Date, 100% of the amount of the Reserve Fund may be invested in such tenderable or redeemable investments of any maturity on or prior to maturity of the Bonds. Permitted Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Permitted Investments for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Fiscal Agent Agreement, with the exception of the Special Tax Fund and the Rebate Fund, will, at the direction of the authorized representative and upon

receipt by the Fiscal Agent, be deposited to the following funds and accounts in the order of priority as follows: (i) in the Construction Fund until Completion of the Project, and (ii) in the Special Tax Fund; provided, however, that earnings on funds in the Reserve Fund will be retained therein to the extent needed to bring the balance therein to the Reserve Requirement. All interest, profits and other income received from the investment of moneys in the Special Tax Fund will, upon receipt by the Fiscal Agent, be retained in the Special Tax Fund.

For the purpose of determining the amount in any fund or account other than the Reserve Fund, all Permitted Investments credited to such fund or account will be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition). Amounts in the Reserve Fund will be valued at their Fair Market Value at least semi-annually (or more frequently as may be requested by the authorized representative of the Community Facilities District). Notwithstanding the foregoing, in making any valuations, the Fiscal Agent may utilize and rely upon such securities pricing services as may be available to it, including those within its accounting system.

In the absence of written instructions from the authorized representative, the Fiscal Agent shall invest solely in Permitted Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P. To the extent that any of the requirements concerning Permitted Investments embodies a legal conclusion, the Fiscal Agent will be entitled to conclusively rely upon a certificate from the appropriate party or an opinion from counsel to such party, in form and content satisfactory to the Fiscal Agent, that such requirement has been met.

### **Payment of Rebate Obligation**

The Community Facilities District is required to calculate the Rebate Requirement in accordance with the requirements set forth in the Fiscal Agent Agreement. If necessary, the Community Facilities District may use amounts in the Reserve Fund and other funds available to satisfy rebate obligations, as applicable to the Bonds.

### **No Teeter Plan**

The County has adopted a Teeter Plan as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, by policy, the County does not include assessments, reassessments and special taxes in its Teeter program. The Special Taxes are not included in the County’s Teeter Program.

## IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO. 2021-1

### General Information

Improvement Area No. 2 is comprised of approximately 32.78 acres consisting of two continuous zones including Zone A (13.61 acres) and Zone B (19.17 acres), and comprises a portion of the Community Facilities District. Improvement Area No. 2 is located along Elk Street, Thorton Avenue and Chambers Street in the County, California. Zone A is located along Elk Street between Coral Avenue and Thorton Avenue. Zone B is located along Elk Street between Thorton Avenue and Chambers Street. Improvement Area No. 2 has been developed with 149 single family homes.

Utility services for parcels within the boundaries in Improvement Area No. 2 are provided by Southern California Edison (electricity), Southern California Gas Company (natural gas), Eastern Municipal Water District (water and sewage), and Riverside County Flood Control District (stormwater).

### Summary of Proceedings

The 2025 Bonds are issued pursuant to the Act and the Fiscal Agent Agreement. In addition, as required by the Act, the Board of the School District, in certain cases acting as the Legislative Body of the Community Facilities District, has taken the actions described below with respect to establishing the Community Facilities District and Improvement Area No. 2, authorizing the Special Taxes and the issuance of bonds, including the 2025 Bonds.

Summary of Formation Proceedings. Pursuant to the Act, on January 12, 2021, the Board adopted Resolution No. 2756 declaring its intention to establish the Community Facilities District and Improvement Area No. 2, and to authorize the levy of a special tax therein. On the same date, the Board adopted Resolution No. 2757 stating its intention to incur bonded indebtedness in an amount not to exceed \$10,000,000 in within Improvement Area No. 2 for the purpose of financing authorized facilities.

Resolution of Formation. Immediately following a noticed public hearing on February 23, 2021, the Board adopted Resolution No. 2766 (the “**Resolution of Formation**”), which determined the validity of prior proceedings, established the Community Facilities District and improvement areas therein, and authorized the levy of a special tax within the Community Facilities District pursuant to the Rate and Method.

Resolution of Necessity. On February 23, 2021, the Board adopted Resolution No. 2767 declaring the necessity to incur bonded indebtedness in an amount not to exceed \$20,000,000 within the Community Facilities District and submitting the respective propositions to the qualified electors of each improvement area of the Community Facilities District.

Landowner Elections and Declaration of Results. On February 23, 2021, two elections were held in the Community Facilities District, one in each improvement area of the Community Facilities District. With respect to Improvement Area No. 2, the qualified electors of Improvement Area No. 2 approved a ballot proposition authorizing the issuance of up to \$10,000,000 in bonds with respect to Improvement Area No. 2 to finance the acquisition and construction of the facilities, the levy of a special tax and the establishment of an appropriations limit for the Community Facilities District. On the same date, the Board adopted Resolution No. 2768, pursuant to which the Board approved the canvass of votes in the improvement areas of the Community Facilities

District, including Improvement Area No. 2, granting authority to levy the Special Taxes, to incur the bonded indebtedness and to have the established appropriates limit.

Notice of Special Tax Lien and Levy. A Notice of Special Tax Lien with respect to Improvement Area No. 2 was recorded in the real property records of the County on March 1, 2021, as Document No. 2021-0130615.

Ordinance Levying Special Taxes. On March 9, 2021, the Board adopted Ordinance No. CFD-17 authorizing the levy of the Special Tax in the Community Facilities District.

Resolution Authorizing Issuance of the 2025 Bonds. On February 11, 2025, the Board, acting as the Legislative Body of the Community Facilities District, adopted Resolution No. 4027, approving the issuance and sale of the 2025 Bonds.

### **Special Tax Revenues and Projected Debt Service Coverage**

The Community Facilities District will covenant that no modification of the maximum authorized Special Taxes applicable to Improvement Area No. 2 will be approved by the Community Facilities District which would prohibit the Community Facilities District from levying the Special Tax on Developed Property within Improvement Area No. 2 in any Fiscal Year at such a rate as could generate Special Taxes in Improvement Area No. 2 in each Fiscal Year at least equal to 110% of Annual Debt Service with respect to such Fiscal Year plus a reasonable estimate of Administrative Expenses for such fiscal year for the Bonds. The ability of the Community Facilities District to increase the special tax levy on residential property is subject to limitations under the Act.

The debt service on the Bonds is structured such that the projected Net Special Taxes from the Assigned Special Tax on Developed Property, when applied to the projected debt service on the Bonds, is anticipated to result in a debt service coverage ratio of at least 110% for the life of the Bonds.

**Table 1**  
**Improvement Area No. 2**  
**Projected Special Tax Revenues and Bonds Debt Service Coverage\***

<b>Fiscal Year Ending</b>	<b>Number of Permitted Units Levied<sup>(1)</sup></b>	<b>Permitted Levy at Assigned Rates</b>	<b>Less Priority Admin Expense</b>	<b>Permitted Net Special Tax Revenue Constraint at Assigned Rates</b>	<b>Bond Debt Service</b>	<b>Coverage from Permitted Dwelling Units</b>
2025	149	\$341,580.10	\$27,602.02	\$313,978.08	\$135,989.58	230.88%
2026	149	348,411.70	28,154.06	320,257.64	289,750.00	110.53
2027	149	355,379.94	28,717.14	326,662.79	294,250.00	111.02
2028	149	362,487.53	29,291.48	333,196.05	298,500.00	111.62
2029	149	369,737.29	29,877.31	339,859.97	307,500.00	110.52
2030	149	377,132.03	30,474.86	346,657.17	311,000.00	111.47
2031	149	384,674.67	31,084.36	353,590.31	319,250.00	110.76
2032	149	392,368.17	31,706.04	360,662.12	327,000.00	110.29
2033	149	400,215.53	32,340.17	367,875.36	329,250.00	111.73
2034	149	408,219.84	32,986.97	375,232.87	336,250.00	111.59
2035	149	416,384.24	33,646.71	382,737.53	347,750.00	110.06
2036	149	424,711.92	34,319.64	390,392.28	353,500.00	110.44
2037	149	433,206.16	35,006.04	398,200.12	358,750.00	111.00
2038	149	441,870.28	35,706.16	406,164.13	368,500.00	110.22
2039	149	450,707.69	36,420.28	414,287.41	372,500.00	111.22
2040	149	459,721.84	37,148.68	422,573.16	381,000.00	110.91
2041	149	468,916.28	37,891.66	431,024.62	388,750.00	110.87
2042	149	478,294.60	38,649.49	439,645.11	395,750.00	111.09
2043	149	487,860.50	39,422.48	448,438.01	407,000.00	110.18
2044	149	497,617.71	40,210.93	457,406.77	412,250.00	110.95
2045	149	507,570.06	41,015.15	466,554.91	421,750.00	110.62
2046	149	517,721.46	41,835.45	475,886.01	430,250.00	110.61
2047	149	528,075.89	42,672.16	485,403.73	437,750.00	110.89
2048	149	538,637.41	43,525.61	495,111.80	449,250.00	110.21
2049	149	549,410.16	44,396.12	505,014.04	454,500.00	111.11
2050	149	560,398.36	45,284.04	515,114.32	463,750.00	111.08
2051	149	571,606.33	46,189.72	525,416.61	476,750.00	110.21
2052	149	583,038.45	47,113.51	535,924.94	483,250.00	110.90
2053	149	594,699.22	48,055.79	546,643.44	493,500.00	110.77
2054	149	606,593.21	49,016.90	557,576.31	502,250.00	111.02
2055	149	618,725.07	49,997.24	568,727.83	514,500.00	110.54
<b>Total</b>	NA	\$14,475,973.62	\$1,169,758.18	\$13,306,215.45	\$11,861,989.58	N/A

\* Preliminary; subject to change.

(1) Units for which building permits were issued prior to May 1, 2024, and as such are classified as Developed Property.

(2) Totals may not sum due to rounding.

Source: Special District Financing & Administration LLC.



## Special Tax Levy

The following table shows the Special Tax classification of the Taxable Property under the Rate and Method as of January 1, 2025, the Developed Property portion of which represents the units subject to the Special Tax levy for Fiscal Year 2024-25. The principal amount of the 2025 Bonds has been sized to be secured by and payable from the Net Special Taxes to be derived from Developed Property, as defined under the Rate and Method. All homes will be classified as Developed Property in Fiscal Year 2025-26. See "IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO. 2021-1."

The table below shows the Fiscal Year 2024-25 Assigned Special Tax Rates and the Special Tax Levy for the Taxable Property in Improvement Area No. 2.

**Table 2**  
**Improvement Area No. 2**  
**Fiscal Year 2024-25 Special Tax Levy**

Land Use Classification	Building Square Footage	Number of Taxable Units/Acres <sup>(1)</sup>	Assigned Annual Special Tax per Unit/Acre	Actual Special Tax Levy 2024-25 per Unit/Acre	Fiscal Year 2024-25 IA 2 Levy Total <sup>(1)</sup>	Fiscal Year 2024-25 Percentage of Levy
<b>Zone A</b>						
Residential	< 1,800	45	\$2,127.72	\$2,127.72	\$95,747.40	28.03%
Residential	1,800 to 2,200	23	2,175.48	2,175.46	50,035.58	14.65
Residential	> 2,200	0	2,414.25	2,414.24	0.00	0.00
Non- Residential	N/A	0	19,076.70	19,076.68	0.00	0.00
Undeveloped	N/A	0	0.00	0.00	0.00	0.00
<b>Zone B</b>						
Residential	< 2,000	41	\$2,382.41	\$2,382.40	\$97,678.40	28.60%
Residential	2,000 to 2,400	28	2,435.47	2,435.46	68,192.88	19.96
Residential	> 2,400	12	2,493.84	2,493.82	29,925.84	8.76
Non- Residential	N/A	0	17,303.68	17,303.66	0.00	0.00
Undeveloped	N/A	0.00	0.00	0.00	0.00	0.00
<b>Total <sup>(2)</sup></b>		149 Units / 0.00 Acres			\$341,580.10	100.00%

<sup>(1)</sup> Due to rounding, the annual Special Taxes levied may not match the actual Fiscal Year 2024-25 levy totals as submitted to the County.

<sup>(2)</sup> Totals may not sum due to rounding.

Source: Special District Financing & Administration LLC.

The levies of Special Taxes are subject to certain limitations. For example, certain properties are exempt from the Special Tax pursuant to law or the Rate and Method. See “BONDOWNERS’ RISKS – Exempt Properties.” The annual levy of Special Taxes on each parcel is constrained by the annual Maximum Special Tax rate applicable to such parcel. See “SECURITY FOR THE BONDS – Rate and Method” and “BONDOWNERS’ RISKS – Insufficiency of the Special Tax” herein.

The amount of the Special Taxes that can be levied and collected in future years will be dependent upon, among other factors, the Special Tax rates imposed and the level of delinquent Special Tax installments. Generally, the Community Facilities District levies on Developed Property at the Special Tax rate under the Rate and Method. In any case where the annual Maximum Special Tax for an Assessor’s Parcel of Developed Property of residential property is greater than the annual Special Tax, the Community Facilities District would not expect delinquencies to be such as to require a levy at the annual Maximum Special Tax. A portion of the Special Tax Requirement is utilized for acquisition and/or construction of school facilities. In the event the Community Facilities District was to levy Special Taxes on Developed Property at less than the Assigned Special Tax, the Resolution of Formation provides that under no circumstances will the Special Taxes levied in any fiscal year against any parcel used for private residential purposes in Improvement Area No. 2 be increased as a consequence of delinquency or default by the owner or owner of any other parcel or parcels in Improvement Area No. 2 by more than 10%. See “BONDOWNERS’ RISKS” herein.

#### **Assessed Value to Burden Ratio**

Table 3 below shows the approximate value-to-burden ratio for the Developed Property in Improvement Area No. 2 based on the assessed values and the principal amount of the 2025 Bonds, which has been allocated based on the Assigned Special Tax levy in Fiscal Year 2024-25, together with overlapping general obligation bonds. See “ – Direct and Overlapping Debt,” and “BONDOWNERS’ RISKS – Value-to-Burden Ratios” for additional information about the assessed values and for assumptions, special assumptions, and limiting conditions relating to the assessed values.

**Table 3**  
**Improvement Area No. 2**  
**Assessed Values and Value to Burden Ratios\***  
**Fiscal Year 2024-25**

<b>Value-to-Burden Category</b>	<b>Number of Parcels</b>	<b>Total Assessed Value <sup>(1)</sup></b>	<b>Share of the Bonds <sup>(2)</sup></b>	<b>Other Debt <sup>(3)</sup></b>	<b>Combined Overlapping Burden</b>	<b>Combined Value-to-Burden Ratio <sup>(4)</sup></b>	<b>Fiscal Year 2024-25 Special Tax Levy</b>	<b>Percent Share of Special Tax</b>
≥ 10.00 to 1	80	\$39,332,847	\$3,084,910.90	\$676,971.21	\$3,761,882.11	10.46:1	\$188,336.76	55.14%
7.00 to 9.99 to 1	64	25,814,802	2,314,104.30	444,307.47	2,758,411.77	9.36:1	141,278.28	41.36
5.00 to 6.99 to 1	4	1,137,548	156,092.56	19,578.73	175,671.29	6.48:1	9,529.60	2.79
3.00 to 4.99 to 1	0	0	0.00	0.00	0.00	N/A	0.00	0.00
< 3.00 to 1 <sup>(5)</sup>	1	41,518	39,892.25	714.58	40,606.83	1.02:1	2,435.46	0.71
<b>Total <sup>(6)</sup></b>	<b>149</b>	<b>\$66,326,715</b>	<b>\$5,595,000</b>	<b>\$1,141,572</b>	<b>\$6,736,572</b>	<b>9.85:1</b>	<b>\$341,580.10</b>	<b>100.00%</b>

\* Preliminary; subject to change.

(1) Source: Riverside County Assessor's Roll for Fiscal Year 2024-25.

(2) Bond amounts are allocated based on each parcel's proportionate share of the Fiscal Year 2024-25 Special Tax.

(3) Source: California Municipal Statistics, Inc.. See Table 5. Allocation is based on each parcel's Fiscal Year 2024-25 Total Assessed value.

(4) Ratio calculated by dividing the Total Assessed Value column by the allocated portion of the Combined Overlapping Burden column.

(5) Represents a parcel with a Proposition 19 Assessed Value base transfer.

(6) Totals may not sum due to rounding.

Source: *Special District Financing & Administration LLC*.

Special Tax Delinquency History

The table below sets forth information regarding historical Special Tax levies and collections. Fiscal Year 2022-23 was the first year of the Special Tax levy.

Table 4  
Improvement Area No. 2  
Historical Delinquency and Collection Rates

<u>Subject Fiscal Year</u>						<u>As of February 1, 2025</u>		
Fiscal Year Ending June 30	Parcels Levied	Total Special Tax Levied	Parcels Delinquent	Amount Delinquent as of Fiscal Year End	Percent Delinquent as of Fiscal Year End	Parcels Delinquent	Amount Delinquent	Delinquency Rate
2022-23	68	\$140,122.50	0	\$0.00	0.00%	0	\$0.00	0.00%
2023-24	126	280,689.52	1	1,167.85	0.42	0	0.00	0.00
2024-25 <sup>(1)</sup>	149	341,580.10	1	1,063.86	0.62	1	1,063.86	0.62

<sup>(1)</sup> For Fiscal Year 2024-25, the data shown reflects payments received and processed by the County as of February 1, 2025.  
Source: Special District Financing & Administration LLC.

## Potential Consequences of Special Tax Delinquencies

**General.** Future delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in Improvement Area No. 2 could result in draws on the Reserve Fund and perhaps, ultimately, a default in the payment on the 2025 Bonds.

**Special Tax Enforcement and Collection Procedures.** The School District could receive additional funds for the payment of debt service through foreclosures sales of delinquent property, but no assurance can be given as to the amount of foreclosure sale proceeds or when foreclosure sale proceeds would be received. The School District has covenanted in the Fiscal Agent Agreement to take certain enforcement actions and commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described herein.

Foreclosure actions would include, among other steps, formal Board action to authorize commencement of foreclosure proceedings, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable Special Taxes and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

**Limitations on Increases in Special Tax Levy.** If owners are delinquent in the payment of Special Taxes, 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 for each category of property in Improvement Area No. 2. See “SECURITY FOR THE BONDS – Rate and Method.” In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2025 Bonds. See “BOND OWNERS’ RISKS.”

## Direct and Overlapping Debt

The following table sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied on territory in Improvement Area No. 2 prepared by California Municipal Statistics, inc., dated as of January 1, 2025 (the “**Debt Report**”). The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, which will change significantly as County assessed value records increase to reflect housing values. All parcels are subject to levy by other jurisdictions. The Community Facilities District and the Underwriter believes the information is current as of its date, but neither makes any representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or the Community Facilities District. See “– Overlapping Assessment and Community Facilities Districts” below.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area No. 2 in whole or in part. Such long-term obligations generally are not payable from property taxes, assessment or special taxes on land in Improvement Area No. 2. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the School District, the County or other public agencies at any time.

The Community Facilities District has not undertaken to commission annual appraisals of the market value of property in Improvement Area No. 2 for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX D hereto for the form of the Continuing Disclosure Agreement of the Community Facilities District.

**Table 5**  
**Improvement Area No. 2**  
**Detailed Direct and Overlapping Debt**

2024-25 Assessed Valuation: \$66,326,715

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/25</u>	
Metropolitan Water District	0.002%	\$ 294	
Mount San Jacinto Community College District	0.047	111,472	
Hemet Unified School District	0.388	1,029,806	
<b>Hemet Unified School District Community Facilities District No. 2021-1 I.A. 2</b>	<b>100.000</b>	<b>0</b>	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,141,572	
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Riverside County General Fund Obligations	0.015%	\$176,114	
Riverside County Pension Obligation Bonds	0.015	103,756	
Hemet Unified School District Certificates of Participation	0.388	118,266	
TOTAL OVERLAPPING GENERAL FUND DEBT		\$398,136	
COMBINED TOTAL DEBT		\$1,539,708	(2)

Ratios to 2024-25 Assessed Valuation:

<b>Direct Debt (\$0).....</b>	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	1.72%
Combined Total Debt.....	2.32%

(1) Prior to the issuance of the 2025 Bonds offered for sale hereunder.

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

Source: California Municipal Statistics, Inc.

## Property Tax Rates

The tables below set forth median overall property tax rates applicable to a single-family detached home within Improvement Area No. 2 containing 1,705 building square feet for Zone A and 1,898 building square feet for Zone B, selected to represent the median effective tax rate for a home in Improvement Area No. 2 based on the Fiscal Year 2024-25 rates. The Special Tax rates and assessed values, and therefore the overall tax rates, vary among the homes. The tables below also set forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

**Table 6a**  
**Improvement Area No. 2 – Zone A**  
**Fiscal Year 2024-25 Property Tax Rates**  
**Sample Tax Bill**

### Assessed Valuations and Property Taxes

Median Total Assessed Value <sup>(1)</sup>	\$398,945
Homeowner's Exemption	\$0
Taxable Value	\$398,945

<b><i>Ad Valorem Property Taxes</i></b>	<b><i>Percent of Total Assessed Valuation</i></b>	<b><i>Amount</i></b>
General Purpose	1.00000%	\$3,989.45
MWD East	0.00700%	\$27.93
Mt. San Jacinto Junior College	0.00268%	\$10.69
Hemet Unified School District	0.12000%	\$478.73
	<b>1.12968%</b>	<b>\$4,506.80</b>
<b>Assessments, Special Taxes, and Parcel Charges</b>		
Flood Control Stormwater/Cleanwater		\$2.70
MWD Standby East		\$6.94
EMWD Infrastructure Availability Charge		\$11.50
Valley Wide Regional Facilities LMD 88-1		\$22.14
City of Hemet Landscape District <sup>(2)</sup>		\$0.00
City of Hemet Light District <sup>(2)</sup>		\$0.00
City of Hemet CFD No. 2021-02 Heritage Point <sup>(2)</sup>		\$491.68
City of Hemet CFD No. 2005-1 Public Safety Services		\$538.74
<b>Hemet Unified School District CFD No. 202-1 IA 2 Zone A</b>		<b>\$2,127.72</b>
<b>Total Assessments, Special Taxes, and Parcel Charges</b>		<b>\$3,201.42</b>
<b>Total Property Taxes</b>		<b>\$7,708.22</b>
<b>Total Effective Tax Rate</b>		<b>1.93%</b>

(1) Median assessed value of Developed Property within Zone A of Improvement Area No. 2 of Community Facilities District No. 2021-1 for Fiscal Year 2024-25.

(2) The City of Hemet incorrectly levied \$114.76 for the City of Hemet Landscape District and \$57.00 for the City of Hemet Light District for Fiscal Year 2024-25. These assessments were replaced with the City of Hemet Community Facilities District No. 2021-02 Heritage Point Special Tax and will both be adjusted to \$0.00.

Source: Special District Financing & Administration LLC.



**Table 6b**  
**Improvement Area No. 2 – Zone B**  
**Fiscal Year 2024-25 Property Tax Rates**  
**Sample Tax Bill**

**Assessed Valuations and Property Taxes**

Median Total Assessed Value <sup>(1)</sup>	\$505,320
Homeowner's Exemption	\$0
Taxable Value	\$505,320

<b><i>Ad Valorem Property Taxes</i></b>	<b><i>Percent of Total Assessed Valuation</i></b>	<b><i>Amount</i></b>
General Purpose	1.00000%	\$5,053.19
MWD East	0.00700%	\$35.37
Mt. San Jacinto Junior College	0.00268%	\$13.54
Hemet Unified School District	0.12000%	\$606.38
	<b>1.12968%</b>	<b>\$5,708.49</b>
<b>Assessments, Special Taxes, and Parcel Charges</b>		
Flood Control Stormwater/Cleanwater		\$3.74
MWD Standby East		\$6.94
EMWD Infrastructure Availability Charge		\$11.50
Valley Wide Regional Facilities LMD 88-1		\$22.14
City of Hemet Landscape District <sup>(2)</sup>		\$0.00
City of Hemet Light District <sup>(2)</sup>		\$0.00
City of Hemet CFD No. 2021-02 Heritage Point <sup>(2)</sup>		\$491.68
City of Hemet CFD No. 2005-1 Public Safety Services		\$538.74
<b>Hemet Unified School District CFD No. 2021-1 IA 2 Zone B</b>		<b>\$2,382.40</b>
<b>Total Assessments, Special Taxes, and Parcel Charges</b>		<b>\$3,457.14</b>
<b>Total Property Taxes</b>		<b>\$9,165.63</b>
<b>Total Effective Tax Rate</b>		<b>1.81%</b>

(1) Median assessed value of Developed Property within Zone B of Improvement Area No. 2 of Community Facilities District No. 2021-1 for Fiscal Year 2024-25.

(2) The City of Hemet incorrectly levied \$114.76 for the City of Hemet Landscape District and \$57.00 for the City of Hemet Light District for Fiscal Year 2024-25. These assessments were replaced with the City of Hemet Community Facilities District No. 2021-02 Heritage Point Special Tax and will both be adjusted to \$0.00.

Source: Special District Financing & Administration LLC.

## **Overlapping Assessment and Community Facilities Districts**

Except as set forth herein, the Community Facilities District is not aware of any other overlapping special tax or assessment districts for which bonded indebtedness has been issued or authorized.

The Community Facilities District has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within a special district which may be incurred in the future by other governmental agencies, including, but not limited to, the County, the City, or any other governmental agency having jurisdiction over all or a portion of the property within Improvement Area No. 2. Furthermore, nothing prevents the owners of property in Improvement Area No. 2 from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within a district on a parity with a lien of the Special Taxes.

Accordingly, the debt on the property in Improvement Area No. 2 could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the ratio that exists at the time the 2025 Bonds are issued between the value of the property and the debt secured by the Special Taxes and other taxes and assessments which may be levied on such property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners in Improvement Area No. 2 to pay the Special Taxes when due.

Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of the property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes.

## **Property Ownership and Development Status**

*Neither the Bonds nor the Special Taxes are personal obligations of any owners of Taxable Property within Improvement Area No. 2 or the Community Facilities District.*

As March 11, 2025, all 149 homes within Improvement Area No. 2 had been conveyed to individual homeowners.

## **BONDOWNERS' RISKS**

*Investment in the Bonds involves risks that may not be appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the Bonds for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations that may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### **Risks of Real Estate Secured Investments Generally**

The 2025 Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Community Facilities District, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rate and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, landslides, wildfires, floods, droughts and pandemics), which may result in uninsured losses; and (iv) increased delinquencies due to rising mortgage costs and other factors.

### **Special Taxes Are Not Personal Obligations**

The current and future owners of land within Improvement Area No. 2 are not personally liable for the payment of the Special Taxes. Rather, the Special Tax is an obligation only of the land in Improvement Area No. 2. If the value of the land within Improvement Area No. 2 is not sufficient to fully secure the Special Tax, then the Community Facilities District has no recourse against the landowner under the laws by which the Special Tax has been levied and the Bonds have been issued.

### **The Bonds Are Limited Obligations of the Community Facilities District**

The Community Facilities District has no obligation to pay principal of and interest on the Bonds in the event 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 on which levies of the Special Tax are delinquent, nor is the Community Facilities District obligated to advance funds to pay such debt service on the Bonds.

### **Property Value**

The value of the property within Improvement Area No. 2 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the Community Facilities District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires, outbreaks of disease, wildfires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes.

The assessed values of property set forth in this Official Statement do not represent market values arrived at through an appraisal process and the assessed values set forth herein generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value. See “ – Risks of Real Estate Secured Investments Generally.”

The actual market value of the property is subject to future events such as a downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in Improvement Area No. 2 which is the security for the Bonds. As discussed herein, many factors could adversely affect property values within Improvement Area No. 2.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See “SECURITY FOR THE BONDS – Special Taxes – *Proceeds of Foreclosure Sales*.”

### **Value-to Burden Ratios**

Value-to-burden ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-burden ratio is mathematically a fraction, the numerator of which is the value of the property (usually either the assessed value or a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes, as represented by the principal amount of bonds repaid by such assessment or special tax. A value-to-burden ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-burden ratios. Further, the value-to-burden ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a ratio below 1:1, the land is worth less than the debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts, and typically do not coordinate their bond issuances. Debt issuance by an entity other than the Community Facilities District can therefore dilute value-to-burden ratios. See “IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO. 2021-1 – Direct and Overlapping Debt.”

### **Burden of Parity Liens, Taxes and Other Special Assessments on the 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.

Table 5 herein sets forth the 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 as of the date of the information presented and furthermore 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 levied on the parcels in Improvement Area No. 2 securing the Bonds.

In general, as long as the Special Tax on the parcels in Improvement Area No. 2 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.

While governmental taxes, assessments and charges are a common claim against the value of a parcel of Taxable Property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Tax is a claim with regard to a hazardous substance. See “ – Factors Affecting Parcel Values and Aggregate Values – *Hazardous Substances*” below.

### **Availability of Property and Casualty Insurance**

On May 26, 2023, State Farm General Insurance Company (“**State Farm**”) announced that it would cease accepting certain new applications, including all business and personal lines property and casualty insurance effective May 27, 2023. State Farm indicated in its release that the decision was due to historic increases in construction costs outpacing inflation, rapidly growing catastrophe exposure, and a challenging reinsurance market. State Farm indicated it would work constructively with the California Department of Insurance and State policy makers to help build market capacity in California. However, it was taking this action to improve the company’s financial strength and would continue to evaluate its approach based on changing market conditions. State Farm independent contractor agents licensed and authorized in California would continue to serve existing customers for these products and new customers for products not impacted by the decision. Any adverse impact of the foregoing on the homeowners in Improvement Area No. 2 and the real estate market in general cannot be predicted. The School District cannot predict whether future changes in insurance markets may occur which adversely impact insurance costs or availability of property and casualty insurance which may impact home values in Improvement Area No. 2. In November 2022, Allstate Corporation stopped issuing property and casualty coverage to new California customers. In the summer of 2023, Allstate Corporation announced the company would stop accepting insurance applications for all business and personal property in California. As of July 2024, seven of California’s largest property insurers including State Farm, Allstate Corporation, Farmers, USAA, Travelers, Nationwide and Chubb have decided to limit new homeowners policies in the State.

### **Disclosure to Future Purchasers**

The Community Facilities District has recorded (i) a Notice of Special Tax Lien with respect to Improvement Area No. 2 in the Office of the Riverside County Recorder on March 1, 2021, as Document No. 2021-0130615. 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 Improvement Area No. 2 or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers, other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

### **Billing of Special Taxes**

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by such community facilities district.

Under provisions of the Act, the Special Taxes are billed to the properties in Improvement Area No. 2 which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See "SECURITY FOR THE BONDS – Proceeds of Foreclosure Sales," for a discussion of the provisions which apply, and procedures which the Community Facilities District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

### **Inability to Collect Special Taxes**

In order to pay debt service on the Bonds, it is necessary that the Special Tax levied against land in Improvement Area No. 2 be paid in a timely manner. The Community Facilities District will covenant in the Fiscal Agent Agreement under certain conditions to institute foreclosure proceedings against property with delinquent Special Tax in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the Board, as the Legislative Body of the Community Facilities District, to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Board with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there

is no other purchaser at such sale. See “SECURITY FOR THE BONDS – Proceeds of Foreclosure Sales.”

### **Insufficiency of the Special Tax**

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 in Improvement Area No. 2. The annual levy of the Special Tax is subject to the maximum tax rates authorized. 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. Other funds which might be available include funds derived from the payment of penalties on delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Property and the amount of the levy of the Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the Bonds, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and the application of the Rate and Method, including the effects of the Annual Special Tax Requirement. Application of the Rate and Method will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property in Improvement Area No. 2. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

(1) Reduction in the amount of Taxable Property, for such reasons as acquisition of Taxable Property by a government 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 parcels of Taxable Property; or

(2) Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.

Except as set forth above under “SECURITY FOR THE BONDS – Special Taxes” and “ – Rate and Method” herein, the Fiscal Agent Agreement 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 – Proceeds of Foreclosure Sales” 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 *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

In the event that 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 – Proceeds of Foreclosure Sales.”

In addition, the Rate and Method limits the increase of Special Taxes levied on parcels of Developed Property to cure delinquencies of other property owners in Improvement Area No. 2. See "SECURITY FOR THE BONDS – Rate and Method" herein.

### **Exempt Properties**

Certain properties are exempt from the Special Tax in accordance with the Rate and Method (see "SECURITY FOR THE BONDS – Rate and Method" herein). In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; *provided, however*, that property in Improvement Area No. 2 acquired by a public entity subsequent to adoption of the Resolution of Formation through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. In the event that additional property is dedicated to the School District or other public entities, this additional property might become exempt from the Special Tax.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

### **Depletion of Reserve Fund**

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement (see "SECURITY FOR THE BONDS – Reserve Fund" herein). Funds in the Reserve Fund may be used to pay principal of and interest on the Bonds in the event the proceeds of the levy and collection of the Special Tax against property in Improvement Area No. 2 is insufficient. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bondowners pursuant to the Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property in Improvement Area No. 2 at the maximum tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus, it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

### **Potential Delay and Limitations in Foreclosure Proceedings**

The payment of property owners' taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY FOR THE BONDS – Proceeds of Foreclosure Sales" and "BONDOWNERS' RISKS – Bankruptcy and Foreclosure Delay" herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The ability of the Community Facilities 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 FDIC, the Federal National



Mortgage Association, the Federal Home Loan Mortgage Corporation, the Drug Enforcement Agency, the Internal Revenue Service (the “IRS”) or other similar federal governmental agencies has or obtains an interest. See “BONDOWNERS’ RISKS – Payments by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies” herein.

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 Service Members Civil Relief Act (SCRA) of 2003 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 the military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

The Community Facilities District and the School District are unable to predict what effect the application of a policy statement by the FDIC regarding payment of state and local real property taxes would have in the event of a delinquency on a parcel in Improvement Area No. 2 in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would likely reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale.

In addition, potential investors should be aware that judicial foreclosure proceedings are not summary remedies and can be subject to significant procedural and other delays caused by crowded court calendars and other factors beyond the control of the Community Facilities District or the School District. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien of Special Taxes may take up to two or three years from initiation to the lien foreclosure sale. At a Special Tax lien foreclosure sale, each parcel will be sold for not less than the “minimum bid amount” which is equal to the sum of all delinquent Special Tax installments, penalties and interest thereon, costs of collection (including reasonable attorneys’ fees), post-judgment interest and costs of sale. Each parcel is sold at foreclosure for the amounts secured by the Special Tax lien on such parcel and multiple parcels may not be aggregated in a single “bulk” foreclosure sale. If any parcel fails to obtain a “minimum bid,” the Community Facilities District may, but is not obligated to, seek superior court approval to sell such parcel at an amount less than the minimum bid. Such superior court approval requires the consent of the Owners of 75% of the aggregate principal amount of the outstanding Bonds.

Delays and uncertainties in the Special Tax lien foreclosure process create significant risks for Bondowners. High rates of special tax payment delinquencies which continue during the pendency of protracted Special Tax lien foreclosure proceedings, could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon foreclosure. In that event, there could be a default in payment of the principal of, and interest on, the Bonds. See “Special Taxes Are Not Personal Obligations” above.

If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Community Facilities District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days (or in some cases a shorter period) from the date of service of the Notice of Levy and 20 days from the subsequent notice of sale in which to redeem the property to be sold. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made. The constitutionality of the aforementioned legislation, which repeals the former one-year

redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price unless a lesser minimum bid price is authorized by the Owners of 75% of the aggregate principal amount of the Bonds Outstanding.

No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the School District or the Community Facilities District to purchase or otherwise acquire any lot or parcel of property offered for sale or subject to foreclosure if there is no other purchaser at such sale. The Act does specify that the Special Tax will have the same lien priority in the case of delinquency as do *ad valorem* property taxes.

If the Reserve Fund is depleted and delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property in Improvement Area No. 2 in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the Bonds and to replenish the Reserve Fund. There is, however, no assurance that the Maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Bonds by the Fiscal Agent Agreement. The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of Improvement Area No. 2 and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District and the Resolution of Formation provides that under no circumstances will the Special Taxes levied against any parcel in Improvement Area No. 2 be increased as a consequence of delinquency or default by the owner of any parcel or parcels in Improvement Area No. 2 by more than ten percent (10%) in any fiscal year. See "SECURITY FOR THE BONDS – Rate and Method."

### **Bankruptcy and Foreclosure Delay**

The payment of Special Taxes and the ability of the Community Facilities District to foreclose the lien of delinquent Special Taxes as discussed in the section herein entitled "SECURITY FOR THE BONDS" may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a judicial foreclosure may be delayed due to congested local court calendars or procedural delays.

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 moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the obligation to pay the Special Tax to become extinguished, bankruptcy of a property owner in Improvement Area No. 2 or of a partner or other equity owner of a property owner, could result in a stay of enforcement of the lien for the Special Taxes, a delay in prosecuting superior court foreclosure proceedings or adversely affect the ability or willingness of a property owner in Improvement Area No. 2 to pay the Special Taxes and could result in the possibility of delinquent Special Taxes not being paid in full. 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. Moreover, amounts received upon foreclosure sales may not be sufficient to fully discharge delinquent installments. To the extent that a significant percentage of the property in Improvement Area No. 2 is owned by any one property owner, and Special Taxes have been levied on such property, and such owner is the subject of bankruptcy proceedings, the payment of the Special Tax and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax could be extremely curtailed by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

In 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. The court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition as "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

According to the court's ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that the debtor has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien, which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Taxes levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent for bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of Special Tax received from parcels whose owners declare bankruptcy could be reduced.

It should also be noted that on October 22, 1994, Congress enacted 11 U.S. C. Section 362(b)(18), which added a new exception to the automatic stay for *ad valorem* property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Pursuant to this new provision of law, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for *ad valorem* taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S. C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like *ad valorem* taxes for this purpose.

### **Payments by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies**

The ability of the Community Facilities District to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to properties in which the FDIC, Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the IRS, or other similar federal governmental agencies has or obtains an interest.

**FDIC.** Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "**1991 Policy Statement**"). The 1991 Policy Statement was revised and superseded by a new Policy Statement, effective January 9, 1997 (the "**Policy Statement**"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed

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

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the 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 Community Facilities 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 in Improvement Area No. 2 in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the Community Facilities District will be unable to collect Special Taxes or to foreclose on any parcel in Improvement Area No. 2 owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the Bonds. Based upon the secured tax roll as of January 1, 2025, the FDIC did not own any of the property in Improvement Area No. 2. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

***Mortgage Interests.*** Similarly, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution ("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"), 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. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property 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 the Community Facilities 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. For a discussion of risks associated with taxable parcels in Improvement Area No. 2 becoming owned by the federal government, federal government entities or federal government sponsored entities, see " – Exempt Properties" above.

### **Factors Affecting Parcel Values and Aggregate Value**

***Geologic, Topographic and Climatic Conditions.*** The value of the Taxable Property in Improvement Area No. 2 can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the parcels of Taxable Property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides, liquefaction, floods or fires, climatic conditions such as tornadoes, droughts, pandemics, and the possible reduction in water allocation or availability. It can be expected that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that 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, the value of the Taxable Property may well depreciate or disappear.

***Seismic Conditions.*** The Community Facilities District, like all California communities, may be subject to unpredictable seismic activity. The occurrence of seismic activity in Improvement Area No. 2 could result in substantial damage to properties in Improvement Area No. 2 which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes. Any major damage to structures as a result of seismic activity could result in greater reliance on undeveloped property in the payment of Special Taxes. The Community Facilities District is located in a seismically active region in Southern California. Active faults which could cause significant ground shaking in the nearby area include three of the State's most active faults: the San Andreas, San Jacinto, and Elsinore Faults. Most of Southern California shares this risk. Earthquakes of a magnitude of 6 to 8 on the Richter Scale are possible.

In the event of a severe earthquake, there may be significant damage to both property and infrastructure in Improvement Area No. 2. As a result, the property owners may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in Improvement Area No. 2 could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes. Development in Improvement Area No. 2 has been built in accordance with applicable building codes, including requirements relating to seismic safety. No assurances can be given that any earthquake insurance will be obtained as to any of the improvements in Improvement Area No. 2.

***Drought Conditions.*** The State had been experiencing a drought for the last several years, but for the rainfall season from October 1, 2022, through September 30, 2023, the State has experienced above normal rainfall. For the period from October 1, 2022, through June 30, 2023, with areas of northern California experiencing rainfall ranging from 89% to 184% of normal rainfall, areas of central California experiencing rainfall ranging from 108% to 299% of normal rainfall, and southern California experiencing rainfall ranging from 66% to 208% of normal rainfall based on reports from the Golden Gate Weather Services. Many areas have experienced flooding and

landslide damage. It is reported that major water supply reservoirs as of June 7, 2023, were at levels of 54% of capacity to 100% of capacity, with some reservoirs at a capacity in excess of historical averages.

To address the drought conditions, on October 19, 2021, the Governor expanded a drought emergency declaration to include all of the State's 58 counties and required local water suppliers to implement water shortage contingency plans that are responsive to local conditions and prepare for the possibility of a third dry year. On March 28, 2022, the Governor issued Executive Order N-7-22, which directed the Water Board to issue drought regulations, including a recommendation to have urban water suppliers initiate water shortage contingency plans. The Governor's office indicated at that time that the State was experiencing its worst drought since the late 1800's, as measured by both lack of precipitation and high temperatures. On May 23, 2022, the Governor met with representatives of the State's largest urban water suppliers and warned that if conservation efforts didn't improve in the summer, the State could be forced to impose mandatory water restrictions throughout the State. For the later part of the 2012-2016 drought, then Governor Brown ordered a mandatory 25% reduction in urban water use.

The State's prior five-year drought underscored the need for permanent improvements in long-term efficient water use and drought preparedness, as called for in a previous executive order made by then Governor Brown. The State has implemented various actions which are intended to help to ensure all communities have sufficient water supplies and are conserving water regardless of the conditions of any one year. The Community Facilities District cannot predict whether recent drought conditions will continue or when the State will experience drought conditions again in the future, what effect such conditions may have on property values or whether or to what extent any water reduction requirements may affect homeowners within Improvement No. 2 or their ability or willingness to pay Special Taxes.

**Wildfires.** In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can lead to the destruction of homes. For example, the seven largest recorded wildfires to occur in California since 1932, when more accurate records began being kept, have occurred in northern and central California since 2017. In November 2018, the Camp Fire, in Butte County, northern California, destroyed over 18,000 structures, and the towns of Paradise and Concow were almost completely destroyed. In January of 2025, a wildfire (the "**Palisades Fire**") started in the Pacific Palisades area of Los Angeles County, approximately 140 miles northwest of the Community Facilities District, destroying nearly 7,000 structures and damaging over 1,000 more. Several other fires subsequently broke out in Los Angeles County, destroying and threatening numerous structures, including the Eaton Fire in Altadena, which destroyed more than 9,000 structures and damaged 1,000 more.

While the Community Facilities District is not aware of any particular risk of wildfire within Improvement Area No. 2, there can be no assurances that wildfires will not occur within or near Improvement Area No. 2. Property damage due to wildfire could result in a significant decrease in the assessed value and/or market value of property in Improvement Area No. 2 and in the ability or willingness of property owners to pay Special Taxes when due. State law requires that all local jurisdictions identify very high fire hazard severity zones within their areas of jurisdiction. Inclusion within these zones is based on vegetation density, slope severity and other relevant factors that contribute to fire severity. The Community Facilities District is not located within a Very High Fire Severity Zone, but there are such zones approximately 1.5 miles to the southeast and approximately three miles to the southwest of Improvement Area No. 2. The eastern areas of the School District's boundaries are in a mountainous area which is more susceptible to wildfires.

During the fires in September 2022, the School District lost an abandoned single portable classroom building in Simpson Park in the foothills south of Hemet High School. There has been no significant damage to the School District property from wildfires.

**Climate Change.** In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property in Improvement Area No. 2. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity, and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and raising sea levels. See also “ – Drought Conditions,” and “ – Wildfires” above. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the Community Facilities District’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the Community Facilities District and the School District are unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

**Hazardous Substances.** One of the most serious in terms of the potential reduction in the value of Taxable Property is a claim with regard to hazardous substances. In general, the owners and operators of Taxable Property within Improvement Area No. 2 may be required by law to remedy conditions of the parcels related to the 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 State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) may be obligated to remedy a hazardous substance condition of a property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any parcel within Improvement Area No. 2 be affected by a hazardous substance, would be to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner (or operator), is obligated to remedy the condition just as is the seller.

The assessed value of property within Improvement Area No. 2 does not take into account the possible reduction in marketability and value of any of the parcels of Taxable Property by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The Community Facilities District has not independently verified and is not aware that the owner (or operator) has such a current liability with respect to any of the parcels of Taxable Property, except as expressly noted. However, it is possible that such liabilities do currently exist and that the Community Facilities District is not aware of them.

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

**Legal Requirements.** Other events which may affect the value of a parcel of Taxable Property in Improvement Area No. 2 include changes in law or application of 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.

### **Extraordinary Redemption from Prepaid Special Taxes**

The Bonds are subject to mandatory call and redemption prior to maturity, as a whole or in part on any Interest Payment Date from amounts in the Prepayment Account in the Special Tax Fund available to redeem Bonds under the Fiscal Agent Agreement. Prepayments could be made by any of the owners of any of the property in Improvement Area No. 2 and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See “THE 2025 BONDS – Redemption – *Mandatory Redemption from Prepaid Special Taxes.*”

### **No Acceleration Provisions**

The Fiscal Agent Agreement provides that the Bonds are not subject to acceleration in the payment of interest or principal. In the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement the Bonds are not subject to acceleration. Pursuant to the Fiscal Agent Agreement, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies. So long as the Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies as the Bondowner.

### **Community Facilities District Formation**

California voters, on June 6, 1978, approved an amendment (“**Article XIII A**”) to the California Constitution. Section 4 of Article XIII A, requires a vote of two-thirds of the qualified electorate to impose “special taxes,” or any additional *ad valorem*, sales, or transaction taxes on real property. At an election held within Improvement Area No. 2 pursuant to the Act, more than two-thirds of the qualified electors within Improvement Area No. 2, consisting of the landowners within the boundaries of Improvement Area No. 2, authorized the Community Facilities District to incur bonded indebtedness to finance the Project and more than two-thirds of the qualified electors within Improvement Area No. 2 approved the Rate and Method. The Supreme Court of the State has not yet decided whether landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIII A, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a “special tax” for purposes of Article XIII A.

Section 53341 of the Act requires that any action or proceeding to attack, review, set aside, void or annul the levy of a special tax or an increase in a special tax pursuant to the Act will be commenced within 30 days after the special tax is approved by the voters. No such action has been filed with respect to the Special Tax.

### **Right to Vote on Taxes Act**

An initiative measure, Proposition 218, commonly referred to as the “Right to Vote on Taxes Act” (the “**Initiative**”) was approved by the voters of the State at the November 5, 1996, general election. The Initiative added Article XIII C (“**Article XIII C**”) and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and



property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities districts are subject to interpretation by the courts.

Among other things, Section 3 of Article XIII C states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure, which includes notice hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

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

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters of Improvement Area No. 2 to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds.

The Act also establishes time limits for initiating any challenge to the validity of special taxes levied pursuant to the Act and any challenge to the validity of bonds issued pursuant to the Act. Section 53341 of the Act provides that:

“Any action or proceeding to attack, review, set aside, void, or annul the levy of a special tax or an increase in a special tax pursuant to this chapter shall be commenced within 30 days after the special tax is approved by the voters. Any appeal from a final judgment in that action or proceeding shall be perfected within 30 days after the entry of judgment.”

Section 53359 of the Act provides that:

“An action to determine the validity of bonds issued pursuant to this chapter or the validity of any special taxes levied pursuant to this chapter may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure but shall, notwithstanding the time limits specified in Section 860 of the Code of Civil Procedure, be commenced within 30 days after the voters approve the issuance of the bonds or the special tax if the action is brought by an interested person pursuant to Section 863 of the Code of Civil Procedure. Any appeal from a judgment in that action or proceeding shall be commenced within 30 days after entry of judgment.”

Based on the forgoing, with respect to any challenge to the validity of the Special Tax or the Bonds, the Community Facilities District believes that under current State law the time for initiating any such legal challenge has expired.

Like its antecedents, the Initiative is likely to undergo both judicial and legislative scrutiny before its impact on the Community Facilities District and its obligations can be determined. Certain provisions of the Initiative may be examined by the courts for their constitutionality under both State and federal constitutional law. For example, on August 1, 2014, in *City of San Diego v. Shapiro*, an Appellate Court ruled that an election held by the City of San Diego to authorize the levying of special taxes on hotels City-wide pursuant to a City of San Diego ordinance which created a convention center facilities district and which specifically defined the electorate to consist solely of (1) the owners of real property in the City of San Diego on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located, was invalid under the California Constitution because such landowners and lessees are neither “qualified electors” of the City of San Diego for purposes of Article XIII A, Section 4 of the California Constitution nor do they comprise a proper “electorate” under Article XIII C, Section 2(d). 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 pursuant to Section 53326(b) of the Act is constitutional under Article XIII A, Section 4 and Article XIII C, Section 2(d) in districts that lack sufficient registered voters to conduct an election among registered voters, and thus does not affect the validity of the levy of the Special Taxes by the Community Facilities District. In addition, the provisions of the Act described above that establish time limits for initiating any challenge to the validity of the Special Taxes levied pursuant to the Act or the issuance of Bonds pursuant to the Act described above would provide obstacles to any party which sought to present a legal challenge to the validity of the Special Taxes or the Bonds based on *the City of San Diego v. Shapiro* case. The Community Facilities District is not able to predict the outcome of any such examination of the Initiative in relation to community facilities districts formed under the Act.

The foregoing discussion of the Initiative, and related matters, should not be considered an exhaustive or authoritative treatment of the issues. The Community Facilities District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals, and legislative enactments may all affect the impact of the Initiative on the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of the Initiative.

### **Ballot Initiatives and Legislative Measures**

The Initiative was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for

particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. For example, among measures on the November 3, 2020, ballot was California Proposition 15, the Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative which, if approved, would have resulted in the ad valorem property tax commercial and industrial properties being based on market value rather than the tax on commercial and industrial properties continuing to be based on the purchase price of such properties, subject to an annual increase at the rate of inflation or 2%, whichever is lower. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, the School District, or local districts to increase revenues or to increase appropriations or on the ability of a property owner to complete the development of the property.

## **Voter Initiatives**

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

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the 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 2024 Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIIIIC and XIICD to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIIIIA and XIIIIC of the State Constitution. The amendments to Article XIIIIA 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 XIIIIC 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.

## **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the Community Facilities District has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue,

secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

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

### **Inflation Reduction Act**

Changes enacted by federal tax legislation (the Public Law No. 217-169, also referred to as the “**Inflation Reduction Act**”) were enacted into law on August 16, 2022. The Inflation Reduction Act (H.R. 5376, 117th Congress) includes a 15% alternative minimum tax to be imposed on the “adjusted financial statement income,” as defined in the Inflation Reduction Act, of certain corporations for tax years beginning after December 31, 2022. Interest on the Bonds will be included in the “adjusted financial statement income” of such corporations for purposes of computing such alternative minimum tax.

### **Loss of Tax Exemption**

As discussed under the caption “LEGAL MATTERS – Tax Matters,” the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of future acts or omissions of the Community Facilities District and the School District in violation of certain provisions of the Code and the covenants of the Fiscal Agent Agreement. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Community Facilities District will covenant in the Fiscal Agent Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Should such an event of taxability occur, the Bonds would not be subject to early redemption and would remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Fiscal Agent Agreement. See “THE 2025 BONDS – Redemption.”

### **IRS Audit of Tax-Exempt Securities Issues**

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

### **Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption**

Changes enacted by pending or future legislative proposals, if enacted into law, clarification of the 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 Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Such legislation, the introduction or enactment of any such future legislative proposals, clarification

of the Code or court decisions may also affect the market price for, liquidity of 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. Bond Counsel expresses no opinion regarding such matters.

As discussed in this Official Statement, under the caption “LEGAL MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Community Facilities District in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Fiscal Agent Agreement.

### **Limitations on Remedies**

Remedies available to the Bondowners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds. See “ – Billing of Special Taxes,” “ – Payments by FDIC, Fannie Mae, Freddie Mac, and Other Federal Agencies,” and “ – No Acceleration Provisions” herein.

### **Cyber Security**

The School District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the School District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The School District has not had a known major cyber breach in the last 10 years that resulted in a financial loss. The Information Technology department is regularly researching and implementing cybersecurity best-practices and informs employees of such when applicable. The School District maintains insurance coverage for cyber security losses should a successful breach ever occur.

No assurance can be given that the School District’s efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the School District or the Community Facilities District. The School District is also reliant on other entities and service providers, such as the County Treasurer for the levy and collection of Special Taxes securing payment of the Bonds, the Fiscal Agent in its role as paying agent, and the Dissemination Agent in connection with compliance with its disclosure undertakings. No assurance can be given that the School District or the Community Facilities District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Bondowners, e.g., systems related to the timeliness of payments to Bondowners or compliance with disclosure filings pursuant to the Continuing Disclosure Agreement.

## LEGAL MATTERS

### Legal Opinion

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of each of the 2025 Bonds will be made available to purchasers at the time of original delivery and is attached hereto as APPENDIX F. A copy of the legal opinion will be printed on each Bond. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel.

### Tax Matters

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2025 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.

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 2025 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The School District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2025 Bonds.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public 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 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 are 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 2025 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 2025 Bonds who purchase the 2025 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 to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2025 Bond (said term being the shorter of the 2025 Bond's maturity date or its call date). The

amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2025 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Bond is amortized each year over the term to maturity of the 2025 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the 2025 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 2025 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 2025 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2025 Bonds, or as to the consequences of owning or receiving interest on the 2025 Bonds, as of any future date. Prospective purchasers of the 2025 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 2025 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2025 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2025 Bonds, the ownership, sale or disposition of the 2025 Bonds, or the amount, accrual or receipt of interest on the 2025 Bonds.

## **Backup Withholding**

Interest paid on tax-exempt obligations such as the 2025 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the 2025 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

## **Absence of Litigation**

No litigation is pending or threatened concerning the validity of the 2025 Bonds. There is no action, suit or proceeding known by the Community Facilities District or the School District to be pending at the present time restraining or enjoining the delivery of the 2025 Bonds or in any way contesting or affecting the validity of the 2025 Bonds or any proceedings of the Community Facilities District or the School District taken with respect to the execution thereof. A no litigation certificate

executed by the School District on behalf of the Community Facilities District will be delivered to the Underwriter simultaneously with the delivery of the 2025 Bonds.

### **No General Obligation of School District or Community Facilities District**

The Bonds are not general obligations of the School District or the Community Facilities District, but are limited obligations of the Community Facilities District payable solely from proceeds of the Special Tax of the Community Facilities District and proceeds of the Bonds, including amounts in the Reserve Fund, the Special Tax Fund and the Bond Fund and investment income on funds held pursuant to the Fiscal Agent Agreement (other than as necessary to be rebated to the United States of America pursuant to Section 148(f) of the Code and any applicable regulations promulgated pursuant thereto). Any tax levied for the payment of the Bonds will be limited to the Special Taxes to be collected from taxable properties within the boundaries of the Community Facilities District.

### **CONTINUING DISCLOSURE**

The Community Facilities District will covenant in the Continuing Disclosure Agreement, the form of which is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT (COMMUNITY FACILITIES DISTRICT)” (the “**CFD Continuing Disclosure Agreement**”), for the benefit of owners and beneficial owners of the 2025 Bonds, to provide certain financial and operating data relating to Improvement Area No. 2, the Community Facilities District, and the 2025 Bonds by not later than April 1 in each year, commencing on April 1, 2026 (the “**Community Facilities District Annual Report**”), and to provide notices of the occurrence of certain listed events.

The Community Facilities District Annual Report will be filed by the Community Facilities District, or the Dissemination Agent on behalf of the Community Facilities District, with the Municipal Securities Rulemaking Board (“**MSRB**”) through the Electronic Municipal Market Access System (the “**EMMA System**”) in an electronic format and accompanied by identifying information as prescribed by the MSRB, with a copy to the Fiscal Agent. Any notice of a listed event will be filed by the Community Facilities District, or the Dissemination Agent on behalf of the Community Facilities District, with the MSRB through the EMMA System. The specific nature of the information to be contained in the Community Facilities District Annual Report or any notice of a listed event is set forth in the CFD Continuing Disclosure Agreement. The covenants of the Community Facilities District in the CFD Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”); *provided, however*, a default under the CFD Continuing Disclosure Agreement will not, in itself, constitute an Event of Default under the Fiscal Agent Agreement, and the sole remedy under the CFD Continuing Disclosure Agreement in the event of any failure of the Community Facilities District or the Dissemination Agent to comply with the CFD Continuing Disclosure Agreement will be an action to compel performance.

The Community Facilities District has not previously entered into a continuing disclosure undertaking under the Rule.

***Prior Disclosure Compliance by School District, Other Community Facilities Districts formed by the School District, or Hemet Unified School District Financing Authority.*** A review of previous disclosure filings in the last five years, with respect to financings by the School District, other community facilities districts formed by the School District, or the Hemet Unified School



District Financing Authority (the “**Authority**”), indicates that the School District did not fail to comply in all material respects with its prior undertakings.

In order to assist the Community Facilities District, the School District, community facilities districts formed by the School District, and the Authority in complying with their respective disclosure undertakings, the School District has hired outside consultants to facilitate preparation and filing of disclosure reports and notices of listed events.

## **NO RATINGS**

The Community Facilities District has not made, and does not contemplate making, any application to a rating agency for a rating on the 2025 Bonds. No such rating should be assumed from any credit rating that the School District or the Community Facilities District may obtain for other purposes. Prospective purchasers of the 2025 Bonds are required to make independent determinations as to the credit quality of the 2025 Bonds and their appropriateness as an investment.

## **UNDERWRITING**

The 2025 Bonds are being purchased by the Underwriter at a purchase price of \$\_\_\_\_\_ (which represents the aggregate principal amount of the 2025 Bonds of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_, and less an underwriter’s discount of \$\_\_\_\_\_.

The purchase agreement relating to the 2025 Bonds provides that the Underwriter will purchase all of the 2025 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 Bonds to certain dealers and others at prices lower than the offering price stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

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

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

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the School District.

## **PROFESSIONAL FEES**

Fees payable to certain professionals in connection with issuance, sale and delivery of the 2025 Bonds, including the Underwriter, Kutak Rock LLP, as Underwriter's Counsel, Jones Hall, A Professional Law Corporation, as Bond Counsel and as Disclosure Counsel, Fieldman, Rolapp & Associates, Inc., as Municipal Advisor, and U.S. Bank Trust Company, National Association, as the Fiscal Agent, are contingent upon the issuance of the 2025 Bonds.

The fees of Special District Financing & Administration LLC, as Special Tax Consultant, are, in part, contingent upon the issuance of the 2025 Bonds. Disclosure Counsel has in the past worked as, and is currently working as, counsel to the Underwriter on matters unrelated to the 2025 Bonds.

## **MISCELLANEOUS**

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representatives of fact. This Official Statement is not to be construed as a contract or agreement between the Community Facilities District and the purchasers or owners of any of the Bonds.

## **EXECUTION**

The execution and delivery of the Official Statement by the Community Facilities District has been duly authorized by the School District on behalf of the Community Facilities District.

COMMUNITY FACILITIES DISTRICT NO. 2021-1  
OF THE HEMET UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Deputy Superintendent, Business Services,  
Hemet Unified School District on behalf of  
Community Facilities District No. 2021-1  
of the Hemet Unified School District

## APPENDIX A

### GENERAL INFORMATION ABOUT THE CITY OF HEMET AND THE COUNTY OF RIVERSIDE

*The following information concerning the City of Hemet (the “**City**”) and Riverside County (the “**County**”) is included only for the purpose of supplying general information regarding the area near Improvement Area No. 2. The Bonds are not a debt of the City, the County, the State of California (the “**State**”) or any of its political subdivisions (other than the Community Facilities District), and none of the City, the County, the State or any of its political subdivisions (other than the Community Facilities District) is liable therefor.*

#### **General**

**The City.** Hemet Unified School District office is located within the City and Improvement Area No. 2 of the Community Facilities District (“**Improvement Area No. 2**”) is located within the community of Winchester, a census designated place (“**Winchester CDP**”), located approximately 9 miles from the City. The City is located in the County approximately 35 miles southeast of the City of Riverside, 85 miles southeast of Los Angeles and 83 miles north of San Diego. The City is predominantly a retirement community, made up largely from relocated individuals who desire the warm winter climate available in Hemet. Planned recreational areas and activities include: camping, boating, cycling, bird watching, fishing, picnic areas, equestrian trails, hiking, golf, and a sports complex.

**The County.** The County, which encompasses 7,177 square miles, was organized in 1893 from territory in San Bernardino and San Diego counties. Located in the southeastern portion of California, the County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial counties and on the west by Orange and Los Angeles counties. There are 28 incorporated cities in the County.

The County's varying topology includes desert, valley and mountain areas as well as gently rolling terrain. Three distinct geographical areas characterize the County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, the Hemet mountains and the Cleveland National Forest experience the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions. Riverside County is the site of famous resorts, such as those in Palm Springs, and is a leading area for inland water recreation. Nearly 20 lakes in the County are open to the public. The dry summers and moderate to cool winters make it possible to enjoy these and other recreational and cultural facilities on a year-round basis.

**Population**

The following table sets forth annual population figures, as of January 1, for the City, the County, and the State, for each of the years listed:

**CITY OF HEMET, COUNTY OF RIVERSIDE, AND  
STATE OF CALIFORNIA  
2020 through 2024 Population Estimates**

<b>Year (January 1)</b>	<b>City of Hemet</b>	<b>Riverside County</b>	<b>State of California</b>
2020	84,391	2,440,719	39,648,938
2021	89,170	2,419,165	39,327,868
2022	88,856	2,427,832	39,114,785
2023	89,333	2,428,580	39,061,058
2024	89,663	2,442,378	39,128,162

*Source: State of California Department of Finance, Demographic Research Unit.*

## Employment and Industry

Improvement Area No. 2 is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “**MSA**”). The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 5.5% in October 2024, up from a revised 5.4% in September 2024, and above the year-ago estimate of 5.3%. This compares with an unadjusted unemployment rate of 5.4% for California and 3.9% for the nation during the same period. The unemployment rate was 5.6% in Riverside County, and 5.3% in San Bernardino County.

The following table summarizes the civilian labor force, employment and unemployment in the MSA for the calendar years 2019 through 2023. These figures are MSA-wide statistics and may not necessarily accurately reflect employment trends in the City or in Improvement Area No.1.

**RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA**  
**(Riverside and San Bernardino Counties)**  
**Civilian Labor Force, Employment and Unemployment**  
**(Annual Averages)**  
**March 2023 Benchmark**

	2019	2020	2021	2022	2023
Civilian Labor Force <sup>(1)</sup>	2,075,200	2,095,800	2,125,300	2,160,600	2,171,500
Employment	1,991,200	1,888,900	1,968,700	2,071,200	2,068,800
Unemployment	84,000	206,900	156,600	89,400	102,700
Unemployment Rate	4.0%	9.9%	7.4%	4.1%	4.7%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	15,400	14,100	13,700	13,800	13,100
Mining and Logging	1,200	1,300	1,400	1,500	1,500
Construction	107,200	104,900	110,100	114,700	115,700
Manufacturing	101,300	96,000	96,100	100,000	98,900
Wholesale Trade	67,700	65,600	67,400	69,500	68,700
Retail Trade	180,700	168,800	177,000	181,000	182,700
Transportation, Warehousing and Utilities	146,600	172,500	198,800	214,400	205,100
Information	14,100	12,400	12,500	13,000	13,300
Finance and Insurance	24,800	24,600	24,400	23,800	22,300
Real Estate and Rental and Leasing	20,200	19,500	20,700	22,200	22,500
Professional and Business Services	155,300	152,100	166,600	173,900	164,800
Educational and Health Services	250,300	248,800	254,300	267,500	287,500
Leisure and Hospitality	175,900	141,300	160,200	180,900	186,500
Other Services	46,200	40,200	43,600	47,400	49,300
Federal Government	21,100	22,100	21,100	20,900	21,200
State Government	31,100	31,300	30,400	28,400	28,800
Local Government	209,000	194,600	190,500	200,700	210,900
Total All Industries <sup>(3)</sup>	1,568,100	1,509,900	1,588,800	1,673,500	1,692,900

(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, March 2022 Benchmark.

## Major Employers

The following table lists the largest employers within the County, in alphabetical order.

### COUNTY OF RIVERSIDE Major Employers (As of December 2024)

Employer Name	Location	Industry
1882 Cantina	Temecula	Foods-Carry Out
Abbott Vascular Inc	Temecula	Hospital Equipment & Supplies-Mfrs
Agua Caliente Casino Palm Spgs	Palm Springs	Gift Shops
Amazon Fulfillment Ctr	Moreno Valley	Mail Order Fulfillment Service
Citrus Club	La Quinta	Clubs
Coachella Valley Unified SCH	Thermal	School Districts
Collins Aerospace	Riverside	Aircraft Components-Manufacturers
Corona City Hall	Corona	City Hall
Corona Regional Medical Ctr	Corona	Hospitals
Department-Corrections-Rehab	Norco	Government Offices-State
Desert Regional Medical Ctr	Palm Springs	Hospitals
Eisenhower Medical Ctr	Rancho Mirage	Hospitals
Fantasy Springs Resort Casino	Indio	Casinos
Jurupa School District Supt	Riverside	School Districts
KSL Development Corp	La Quinta	Golf Courses
Riverside Community Hospital	Riverside	Hospitals
Riverside County Admin Ctr	Riverside	Government Offices-County
Riverside County Public Health	Riverside	Government Offices-County
Riverside University Health	Moreno Valley	Hospitals
Southwest Healthcare System	Temecula	Health Care Management
Starcrest of California	Perris	Online Retailers & Marketplaces
Starcrest Products	Perris	Online Retailers & Marketplaces
Sun World Intl LLC	Coachella	Fruits & Vegetables-Wholesale
Universal Protection Svc	Palm Desert	Security Control Equip & Systems-Mfrs

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2025 1st Edition.

## 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."

**CITY OF HEMET, WINCHESTER CDP, COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA, AND UNITED STATES  
Median Household Effective Buying Income  
For Calendar Years 2021 through 2025**

	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
City of Hemet	\$39,827	\$45,665	\$46,660	\$49,313	\$51,821
Winchester CDP	73,366	88,446	72,422	76,752	76,820
County of Riverside	60,865	70,961	71,623	75,269	78,652
State of California	67,956	77,058	77,175	80,973	82,725
United States	56,790	64,448	65,326	67,876	69,687

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Source: Claritas, LLC.



## Construction Trends

Provided below are the building permits and valuations for the City and County for calendar years 2019 through 2023.

### CITY OF HEMET Total Building Permit Valuations (Valuation in Thousands of Dollars)

	2019	2020	2021	2022	2023
Permit Valuation					
New Single-family	\$14,583.4	\$21,708.3	22,245.5	\$100,018.7	\$64,846.7
New Multi-family	0.0	0.0	5,658.7	1,425.0	0.0
Res. Alterations/Additions	<u>1,313.8</u>	<u>879.8</u>	<u>25.0</u>	<u>2,812.4</u>	<u>2,535.6</u>
Total Residential	15,897.2	22,588.1	27,929.2	104,256.1	67,382.3
New Commercial	1,555.0	10,331.6	0.0	6,598.0	624.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	4,463.8	1,726.4	82.2	7,843.3	1,578.8
Com. Alterations/Additions	<u>4,402.0</u>	<u>2,852.6</u>	<u>147.0</u>	<u>5,631.5</u>	<u>590.3</u>
Total Nonresidential	10,420.8	14,910.6	229.2	20,072.8	2,793.1
<u>New Dwelling Units</u>					
Single Family	74	89	112	271	242
Multiple Family	<u>0</u>	<u>0</u>	<u>22</u>	<u>6</u>	<u>0</u>
TOTAL	74	89	134	277	242

Source: Construction Industry Research Board, Building Permit Summary.

### COUNTY OF RIVERSIDE Total Building Permit Valuations (Valuation in Thousands of Dollars)

	2019	2020	2021	2022	2023
<u>Permit Valuation</u>					
New Single-family	\$1,834,821.9	\$2,315,365.2	\$2,013,159.0	\$2,429,329.1	\$2,414,233.7
New Multi-family	282,465.1	93,149.3	149,081.2	339,474.5	741,686.4
Res. Alterations/Additions	<u>158,118.0</u>	<u>110,788.7</u>	<u>100,401.7</u>	<u>152,309.4</u>	<u>168,198.8</u>
Total Residential	2,275,404.9	2,519,303.2	2,262,641.9	2,921,113.0	3,324,118.9
New Commercial	346,766.8	358,641.9	635,224.9	803,172.0	539,789.9
New Industrial	493,872.3	225,401.2	184,816.8	83,555.9	210,168.4
New Other	145,129.9	188,796.5	432,994.3	290,132.8	455,605.2
Com. Alterations/Additions	<u>300,086.8</u>	<u>380,938.0</u>	<u>290,961.7</u>	<u>524,757.1</u>	<u>489,256.9</u>
Total Nonresidential	1,285,855.8	1,153,777.6	1,543,997.7	1,701,617.8	1,694,820.4
<u>New Dwelling Units</u>					
Single Family	6,563	8,443	7,360	8,863	8,930
Multiple Family	<u>1,798</u>	<u>723</u>	<u>1,126</u>	<u>2,861</u>	<u>6,500</u>
TOTAL	8,361	9,166	8,486	11,724	15,430

Source: Construction Industry Research Board, Building Permit Summary.

## Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are eight regional shopping malls in the County: Moreno Valley Mall (in Moreno Valley), Main Street Pedestrian Mall (in Riverside), Galleria at Tyler (in Riverside), Westfield Palm Desert (in Palm Desert), Gardens on El Paseo (in Palm Desert), Canyon Crest Towne Center (in Riverside), the Promenade (in Temecula), and The River (in Rancho Mirage). There are also two factory outlet malls (Desert Hills Premium Outlets and Lake Elsinore Outlet Center) and over 200 area centers in the County.

A summary of historic taxable sales within the City during the past five years in which data are available is shown in the following table. Total taxable sales during the first two quarters of calendar year 2024 in the City were reported to be \$666,365,374, a 4.78% decrease from the total taxable sales of \$700,448,628 reported during the first two quarters of calendar year 2023.

### CITY OF HEMET Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	1,022	\$979,760	1,576	\$1,126,155
2020	1,130	1,013,919	1,772	1,197,692
2021	1,041	1,221,163	1,655	1,467,550
2022	1,033	1,272,497	1,666	1,496,698
2024	1,079	1,197,685	1,691	1,397,566

Source: State Department of Tax and Fee Administration.

A summary of historic taxable sales within the County during the past five years in which data are available is shown in the following table. Total taxable sales during the first two quarters of calendar year 2024 in the County were reported to be \$29,536,539,993, a 1.15% decrease from the total taxable sales of \$29,879,707,723 reported during the first two quarters of calendar year 2023.

### COUNTY OF RIVERSIDE Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	40,491	\$29,020,401	64,063	\$40,557,845
2020	43,106	30,321,662	69,284	42,313,474
2021	39,455	41,330,546	64,335	55,535,196
2022	40,719	45,373,560	66,738	61,908,344
2024	41,857	44,063,822	68,670	61,094,594

Source: State Department of Tax and Fee Administration.

## **Agriculture**

Agriculture remains a leading source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, dates, lemons and avocados. Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

## **Transportation**

Easy access to job opportunities in the County and nearby Los Angeles, Orange and San Diego Counties is important to the County's employment. Several major freeways and highways provide access between Riverside County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through the City of Riverside and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County. Interstates 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (U.S. 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with a stop in Indio-Cabazon. Freight service to major west coast and national markets is provided by two transcontinental railroads – Burlington Northern/Santa Fe and Union Pacific. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The City of Banning also operates a local bus system.

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport. This airport is operated by the Ontario International Airport Authority, formed under a joint powers agreement with the City of Ontario and San Bernardino County by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Ontario International Airport. County-operated general aviation airports include those in Thermal, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. Plans for joint military and civilian use of the base thereafter are presently being formulated by the March Joint Powers Authority, comprised of the County and the cities of Riverside, Moreno Valley and Perris.

**APPENDIX B**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX OF  
COMMUNITY FACILITIES DISTRICT NO. 2021-1  
OF THE HEMET UNIFIED SCHOOL DISTRICT  
IMPROVEMENT AREA NO. 2**

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RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES  
COMMUNITY FACILITIES DISTRICT NO. 2021-1  
HEMET UNIFIED SCHOOL DISTRICT  
IMPROVEMENT AREA NO. 2

An annual Special Tax (as hereinafter defined) shall be levied on all Assessor's Parcels within Improvement Area No. 2 ("IA-2") of Community Facilities District No. 2021-1 of the Hemet Unified School District ("CFD No. 2021-1") and collected each Fiscal Year commencing in Fiscal Year 2021/22, in an amount determined by the Hemet Unified School District ("School District"), through the application of this Rate and Method of Apportionment of Special Taxes as described below. All of the real property within the boundaries of IA-2 of CFD No. 2021-1, unless exempted by law or by the provisions hereof, shall be subject to the Special Tax for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

**"Acre" or "Acreage"** means the acreage of an Assessor's Parcel as shown on an Assessor's Parcel Map. If the acreage is not shown on an Assessor's Parcel Map, the acreage shown on the applicable Final Map, parcel map, condominium plan, or other recorded County map shall be used. If the acreage information supplied by these alternative sources is not available, or in conflict, the acreage used shall be determined by the Assistant Superintendent of Business Services or a designee.

**"Act"** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

**"Administrative Expenses"** means the actual or reasonably estimated costs directly related to the administration of IA-2 of CFD No. 2021-1 including but not limited to (i) the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or designee thereof or both); (ii) the costs of collecting the Special Taxes (whether by the County or otherwise); (iii) the costs of remitting the Special Taxes to the Trustee; (iv) the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; (v) the costs to the School District, CFD No. 2021-1 or any designee thereof of complying with arbitrage rebate requirements; (vi) the costs to the School District, CFD No. 2021-1 or any designee thereof of complying with School District's, CFD No. 2021-1's or obligated persons' disclosure requirements in connection with the financing associated with applicable federal and State securities laws and of the Act; (vii) the costs associated with preparing Special Tax disclosure statements and responding to property owner and public inquiries regarding IA-2 of CFD No. 2021-1, including its Special Taxes; (viii) the cost associated with the computation of the Backup Special Tax; (ix) the costs of the School District, CFD No. 2021-1 or any designee thereof related to an appeal of the Special Tax; (x) the costs associated with the release of funds from an escrow account; and (xi) the School District's annual administration fees and third party expenses, including the

payment of the allocable portion of the salaries and benefits of any School District employee whose duties are directly related to the administration of IA-2 of CFD No. 2021-1. Administrative Expenses shall also include amounts estimated or advanced by the School District or CFD No. 2021-1 for any formation or other administrative purposes of IA-2 of CFD No. 2021-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

**"Assessor's Parcel"** means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's parcel number.

**"Assessor's Parcel Map"** means an official map of the County Assessor designating parcels by Assessor's parcel number.

**"Assigned Special Tax"** means the Special Tax for each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.b below.

**"Assistant Superintendent of Business Services"** means the Assistant Superintendent of Business Services of the School District, Deputy Superintendent of Business Services of the School District or the Chief Business Official of the School District, as appropriate, or his or her designee in consultation with the CFD Administrator.

**"Backup Special Tax"** means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.c below.

**"Board"** means the Governing Board of the School District acting as the legislative body of CFD No. 2021-1.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes within IA-2 of CFD No. 2021-1 have been pledged, including any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, pursuant to the Act which are secured by a pledge of the Special Taxes.

**"Boundary Map"** means the map of CFD No. 2021-1 which identifies the improvement areas and Tax Zones within CFD No. 2021-1 titled, "Proposed Boundary Map of Community Facilities District No. 2021-1 of the Hemet Unified School District, County of Riverside, State of California" presented to and approved by the Board.

**"County"** means the County of Riverside, California.

**"Developed Floor Area"** means for any Dwelling Unit, the square footage of assessable space of each Dwelling Unit as defined in Government Code section 65995(b)(1). For purposes of this determination, such square footage of assessable space shall be, and the School District,

acting for CFD No. 2021-1, may rely on, the square footage as identified on the building permit(s) issued by the applicable issuing agency if found consistent with such code section.

**“Developed Property”** means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to May 1<sup>st</sup> of the prior Fiscal Year.

**“Dwelling Unit” or “DU”** means each residential dwelling unit which comprises an independent facility including but not limited to an individual single-family detached dwelling unit, townhome, condominium, apartment, attached or detached second dwelling unit, granny flat, accessory dwelling unit or other such residential dwelling unit, including each separate living area within a half-plex, duplex, triplex, fourplex, or other residential structure.

**“Exempt Property”** means all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section E.

**“Final Map”** means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*), an applicable local ordinance or recordation of a condominium plan pursuant to California Civil Code Section 6624 or functionally equivalent map or instrument that creates individual lots for which building permits may be issued without further subdivision.

**“Fiscal Year”** means the period starting July 1 and ending on the following June 30.

**“IA-2” or “IA-2 of CFD No. 2021-1”** means Improvement Area No. 2 of Community Facilities District No. 2021-1 of the Hemet Unified School District.

**“Indenture”** means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

**“Land Use Category”** means any of the categories listed in Table 1.

**“Maximum Special Tax”** means for each Assessor’s Parcel and each Fiscal Year, the Maximum Special Tax, determined in accordance with Section C, below, that may be levied on such Assessor’s Parcel in such Fiscal Year.

**“Non-Residential Property”** means all Assessor’s Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

**“Outstanding Bonds”** means all Bonds which are deemed to be outstanding under an Indenture(s).

**“Property Owner Association Property”** means, for each Fiscal Year, any property within the boundaries of IA-2 of CFD No. 2021-1 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as shown on the equalized



roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year provided however, that no such classification shall reduce the Acreage of all Taxable Property within IA-2 of CFD No. 2021-1 to less than the minimum Acreage pursuant to Section E.

**“Proportionately”** means, for Developed Property, that the quotient of (i) the actual Special Tax levy less the Assigned Special Tax divided by (ii) the Backup Special Tax less the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property for which the Maximum Special Tax is derived by the application of the Backup Special Tax. For Undeveloped Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property. For Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Property Owner Association Property and Public Property.

**“Public Property”** means, for each Fiscal Year, any property within the boundaries of IA-2 of CFD No. 2021-1 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably dedicated to the federal government, the State, the County or any other public agency, including school districts, as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year or (ii) encumbered by a public or utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year, provided however, that no such classification shall reduce the Acreage of all Taxable Property within IA-2 of CFD No. 2021-1 to less than the minimum Acreage pursuant to Section E and provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use whichever is greater.

**“Rate and Method of Apportionment”** means the “Rate and Method of Appointment of Special Taxes for Community Facilities District No. 2021-1 of the Hemet Unified School District Improvement Area No. 2.”

**“Residential Property”** means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential Dwelling Units.

**“School District”** means the Hemet Unified School District.

**“Special Tax” or “Special Taxes”** means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within the boundaries of IA-2 of CFD No. 2021-1 in accordance with this Rate and Method of Apportionment.

**“Special Tax Requirement”** means that amount required in any Fiscal Year for IA-2 of CFD No. 2021-1 to: (i) pay Administration Expenses of IA-2 of CFD No. 2021-1 as provided in this Rate and Method of Apportionment; (ii) pay debt service on all Outstanding Bonds due in the calendar year that commences in such Fiscal Year; (iii) pay periodic costs on the Bonds,

including but not limited to, credit enhancement and rebate payments on the Bonds; (iv) pay any amounts required to replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of facilities that are eligible to be financed through IA-2 of CFD No. 2021-1 under the Act, as reasonably determined by the School District, so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to the Undeveloped Property; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within IA-2 of CFD No. 2021-1 levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the School District, so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to the Undeveloped Property prior to the issuance of Bonds, less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the Assistant Superintendent of Business Services pursuant to the Indenture.

**“State”** means the State of California.

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of IA-2 of CFD No. 2021-1 which have not been prepaid pursuant to Section I or, which are not exempt from the Special Tax pursuant to law or Section E below.

**“Tax Zone”** means Tax Zone A or Tax Zone B of IA-2 of CFD No. 2021-1 as geographically identified on the Boundary Map.

**“Tax Zone A”** means the specific area identified on the Boundary Map as Tax Zone A of IA-2 of CFD 2021-1 which includes Tentative Tract Map 36890.

**“Tax Zone B”** means the specific area identified on the Boundary Map as Tax Zone B of IA-2 of CFD No. 2021-1 which includes Tentative Tract Map 36892.

**“Trustee”** means the trustee or fiscal agent under an Indenture(s).

**“Undeveloped Property”** means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Property Owner Association Property or Public Property as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year.

**“Weighted Average Interest Rate”** calculated as of the date the most recent series of Bonds were issued (including refunding Bonds) means the net interest cost of the Bonds derived by adding together all the interest payments for the term of the Bonds and dividing that sum by the sum of the amount of each Bond multiplied by the number of years such Bond is outstanding.

## **B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within IA-2 of CFD No. 2021-1 shall be classified as Developed Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property or Public Property that is not Exempt Property and shall be subject to Special

Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Assessor's Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property.

**C. MAXIMUM SPECIAL TAX RATE**

**1. Developed Property**

**a. Maximum Special Tax**

The Maximum Special Tax for each Assessor's Parcel of Developed Property that is classified as Residential Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Assessor's Parcel of Non-Residential Property shall be the Assigned Special Tax described in Table 1.

**b. Assigned Special Tax**

The Assigned Special Tax for each Assessor's Parcel of Developed Property is shown in Table 1 below.

**TABLE 1**  
**Assigned Special Taxes for Developed Property**  
**Fiscal Year 2021/22**

Land Use Category	Taxable Unit	Developed Floor Area	Assigned Special Tax Per Taxable Unit
<b>Tax Zone A</b>			
1 - Residential Property	DU	Less than 1,800 sq. ft.	\$2,005.00
2 - Residential Property	DU	1,800 sq. ft. to 2,200 sq. ft.	\$2,050.00
3 - Residential Property	DU	Greater than 2,200 sq. ft.	\$2,275.00
4 - Non-Residential Property	Acre	NA	\$17,976.40
<b>Tax Zone B</b>			
1 - Residential Property	DU	Less than 2,000 sq. ft.	\$2,245.00
2 - Residential Property	DU	2,000 sq. ft. to 2,400 sq. ft.	\$2,295.00
3 - Residential Property	DU	Greater than 2,400 sq. ft.	\$2,350.00
4 - Non-Residential Property	Acre	NA	\$16,305.64

c. Backup Special Tax

The Backup Special Tax for the Assessor's Parcels of Residential Property within IA-2 of CFD No. 2021-1 shall be determined at the time a Final Map that covers all or a portion of the property within IA-2 of CFD No. 2021-1, is recorded. For example purposes only, the Backup Special Tax is calculated below based on the projected total number of Dwelling Units and projected Taxable Property Acreage within IA-2 of CFD No. 2021-1. A maximum of 15 days after the owner of property receives approval of a Final Map which covers all or a portion of the property within IA-2 of CFD No. 2021-1, such owner must provide the Assistant Superintendent of Business Services a copy of the approved Final Map, such Final Map may be pending recordation by the County, and a listing of the square footage by lot of all lots within such approved Final Map and IA-2 of CFD No. 2021-1.

The Backup Special Tax per Assessor's Parcel of Residential Property within the IA-2 of CFD No. 2021-1 is determined by multiplying the Maximum Special Tax per Acre for Undeveloped Property by Tax Zone for the current Fiscal Year by the total Acreage of Taxable Property, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner's Association Property in the portion of such Final Map included within IA-2 of CFD No. 2021-1 and dividing such amount by the number of Assessor's Parcels that are or are expected to be Residential Property (i.e., the number of residential lots or Dwelling Units) within such Final Map included within IA-2 of CFD No. 2021-1. Table 2 below provides the calculation of the Backup Special Tax for Fiscal Year 2021/22 for IA-2 of CFD No. 2021-1 for example purposes only.

**TABLE 2**  
Backup Special Tax: Example  
Fiscal Year 2021/22

Tract Map; Tax Zone; Map Status	Estimated Final Map Acreage of Taxable Property	Projected Number of Residential Dwelling Units	Status of Backup Tax*	Backup Special Tax per Lot or Dwelling Unit*
Tract No. 36890; Tax Zone A; Tentative Map	8.47	68	Draft	(\$17,976.40 times 8.47 divided by 68 lots) \$2,239.12
Tract No. 36892; Tax Zone B; Tentative Map	12.10	81	Draft	(\$16,305.64 times 12.10 divided by 81 lots) \$2,435.78

\* Note: The Backup Special Tax per lot or Dwelling Unit cannot be determined until the Final Map is recorded. After recordation, the Backup Special Tax per lot may be modified if the Final Map is modified as described below.

Notwithstanding the foregoing, if all or any portion of the applicable Final Maps contained within the boundaries of IA-2 of CFD No. 2021-1 is subsequently changed or modified, then the Backup Special Tax for each Assessor's Parcel of Residential Property in such Final Map area contained within the boundaries of IA-2 of CFD No. 2021-1 that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Taxes anticipated to apply to the changed or modified Final Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the total Acreage of Taxable Property within such changed or modified Final Map area, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner Association Property which is ultimately expected to exist in such changed or modified Final Map area contained within the boundaries of IA-2 of CFD No. 2021-1, as reasonably determined by the Assistant Superintendent of Business Services.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area contained within the boundaries of IA-2 of CFD No. 2021-1, subject to increases pursuant to Section C.1.d.

d. Escalation

Each July 1<sup>st</sup>, commencing July 1, 2022, the Assigned Special Taxes and the Backup Special Tax shall increase annually by two percent (2%) from the amount established in the prior Fiscal Year.

**2. Undeveloped Property, Property Owner Association Property and Public Property**

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property within Tax Zone A of IA-2 of CFD No. 2021-1 shall be \$17,976.40 per Acre for Fiscal Year 2021/22 and \$16,305.64 per Acre for Fiscal Year 2021/22 within Tax Zone B of IA-2 of CFD 2021-1.



b. Escalation

Each July 1<sup>st</sup>, commencing July 1, 2022, the Maximum Special Tax for Undeveloped Property, Property Owner Association Property and Public Property shall increase annually by two percent (2%) from the amount established in the prior Fiscal Year.

**3. Reduction of Special Tax.**

Notwithstanding Section C.1 and Section C.2, the Board may determine, by resolution, upon a date set by the Board at its sole discretion on or before the date of issuance of the first series of Bonds to reduce the Assigned Special Tax applicable to Assessor's Parcel of Developed Property, Section C.1.(b), and Maximum Special Tax applicable to Undeveloped Property, Property Owner Association Property and Public Property, Section C.2.(a), to an amount which shall be designated by the Board in such resolution. Such amendment to the Assigned Special Tax shall thereafter be permanent.

Concurrent with the reduction of the Assigned Special Tax, the Board shall also reduce the Backup Special Tax applicable to an Assessor's Parcel of Developed Property. The reduced Backup Special Tax shall be calculated pursuant to the formula in Section C.1.(c) above based on the reduced Maximum Special Tax rate for Undeveloped Property and shall also be designated in the Board resolution.

In the event of a Special Tax reduction pursuant to this Section C.3, the Board shall direct in such resolution that a notice of the reduction in the Special Tax shall be recorded pursuant to the requirement of law.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 2021/22 and for each following Fiscal Year, the School District shall levy the Special Tax as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to the applicable Assigned Special Tax;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax for Undeveloped Property to satisfy the Special Tax Requirement; and

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Public Property and Property Owner Association Property which is not Exempt Property at up to 100% of the Maximum Special Tax for Property Owner Association Property and Public Property to satisfy the Special Tax Requirement; and

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the levy of the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax.

#### E. EXEMPTIONS

Any Assessor's Parcel within the boundaries of IA-2 of CFD No. 2021-1 that is owned or irrevocably dedicated to a public agency as of the date of formation of IA-2 of CFD No. 2021-1 shall be classified as Exempt Property and shall be exempt from the Special Tax in accordance with Section 53340 of the Act.

Except as limited in the following paragraph, the following Assessor's Parcels within the boundaries of IA-2 of CFD No. 2021-1 shall be classified as Exempt Property: (i) Assessor's Parcels which are classified by definition as Public Property or Property Owner Association Property, (ii) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (iii) Assessor's Parcels which are used for other types of public uses.

Tax exempt status will be irrevocably assigned in the chronological order in which property becomes Exempt Property within each Tax Zone provided, however, that no such classification shall reduce the Acreage of all Taxable Property within IA-2 of CFD No. 2021-1 Tax Zone A to less than 8.05 Acres and Tax Zone B to less than 11.50 Acres. Assessor's Parcels that would, if designated as Exempt Property, cause the Acreage of all Taxable Property within Tax Zone A to be less than 8.05 Acres or within Tax Zone B to be less than 11.50 Acres shall be required to either (i) prepay the Special Tax for such Assessor's Parcel in full at the then applicable Maximum Special Tax rate per Acre for Property Owner Association Property or Public Property, Section C.2.(a), applied to the Acres of such Assessor's Parcel, which resulting amount is to be used as the Assigned Special Tax in the calculation of the prepayment pursuant to Section L.1 or (ii) be subject to taxation pursuant to the third step of Section D.

#### F. APPEAL

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent of Business Services. The written notice of appeal must be filed within twelve months after having paid the first installment of the Special Tax that is disputed and the property owner must be current and remain current in the payment of all Special Tax levied on or before the payment date.

The Assistant Superintendent of Business Services shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the

amount of the Special Tax, and rule on the appeal. If the Assistant Superintendent of Business Services' decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) and a cash refund shall be made representing the amount of the adjustment for the most recent Fiscal Year if the Assistant Superintendent of Business Services determines such funds are available. If funds are not available to provide a cash refund, a credit to the levy of Special Tax in one or more subsequent Fiscal Years shall be made in the same amount.

The Assistant Superintendent of Business Services may interpret this Rate and Method of Apportionment for purposes of clarifying ambiguity and make determinations relative to the amount of Special Taxes levied.

#### G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2021-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

#### H. ASSIGNED SPECIAL TAX REMAINDER FROM DEVELOPED PROPERTY

In any Fiscal Year, when proceeds of Assigned Special Taxes from Developed Property are greater than principal and interest on Bonds and the Administrative Expenses, such amount(s) shall be available for the School District, subject to any required reserve fund replenishment. The School District shall use proceeds for acquisition, construction or financing of school facilities in accordance with the Act and other applicable law, as determined by the School District.

#### I. PREPAYMENT OF SPECIAL TAX

##### 1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied for an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, and Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section E. The prepayment amount for an Assessor's Parcel of Undeveloped Property for which a building permit has been issued shall be based on the Assigned Special Tax for the applicable Land Use Category shown in Table 1 based on the Tax Zone and the building permit issued for such Assessor's Parcel and the then current Special Tax rates. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation to pay the Special Tax for such Assessor's Parcel



permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the Assistant Superintendent of Business Services with written notice of intent to prepay, and within five (5) days of receipt of such notice, the Assistant Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2021-1 with respect to IA-2 in calculating the proper amount of a prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the prepayment amount for such Assessor's Parcel.

- a) The prepayment amount for an Assessor's Parcel will be equal to the present value of the Assigned Special Tax of such Assessor's Parcel and the amount determined pursuant to Section I.1.c., if applicable, using a discount rate equal to 4.50% prior to the Issuance of Bonds or the Weighted Average Interest Rate after the issuance of Bonds and the lesser of (i) the remaining term for which the Special Tax may be levied pursuant to Section J or (ii) 35 years. Special Taxes that have already been levied as of the date of the prepayment shall not be considered in the calculations made pursuant to this Section I.1.
- b) A reasonable administrative fee (net of the non-refundable deposit) for determining and administering such prepayment and the call premium, if any, as provided in the Indenture shall be added to the amount determined in Section I.1.a.
- c) If at the date of the prepayment calculation all or a portion of the Backup Special Tax is being levied as a result of the total Residential Property and Nonresidential Property within IA-2 of CFD No. 2021-1 being less than the total estimated Residential Property and Nonresidential Property that was assumed when the Bonds were issued as determined by the Assistant Superintendent of Business Services, that portion of the Backup Special Tax being levied in excess of the Assigned Special Tax for the Assessor's Parcel which is seeking the prepayment shall be added to the Assigned Special Tax in Section I.1.a. (before calculating the present value) for purposes of calculating the prepayment amount.
- d) The prepayment amount shall, prior to the issuance of Bonds and after reduction for administrative expenses, be deposited into a separate account held with the School District and disbursed to fund facilities authorized by CFD No. 2021-1 and in accordance with the school facilities mitigation agreement and joint community facilities agreement approved by the School District related to IA-2 of CFD No. 2021-1, and after the issuance of Bonds be deposited into the applicable accounts or funds established pursuant to the Indenture. If additional Bonds are anticipated to be issued at the time of the prepayment, not to include the refunding of any outstanding Bonds, the prepayment amount, after reduction for administrative expenses, shall be allocated as determined by the Assistant Superintendent of Business Services and deposited as directed above for both prepayments prior to the issuance of Bonds and after the issuance of Bonds.

Upon cash payment of the prepayment amount due pursuant to the above and upon owner providing confirmation from the County to the Assistant Superintendent of Business Services that all prior and current Fiscal Year's Special Taxes, including any delinquency penalties and interest, for such Assessor's Parcel has been paid, the School District shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of the owner of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

Notwithstanding any of the foregoing, the Special Tax for an Assessor's Parcel shall be deemed to be prepaid in whole on the date on which a notice of special tax lien is recorded against the Assessor's Parcel showing that such Assessor's Parcel has been included in a separate Community Facilities District of the School District. Upon such occurrence the School District shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

## **2. Prepayment in Part**

The Maximum Special Tax for an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid, provided an Assessor's Parcel of Developed Property may only be partially prepaid prior to or concurrent with the close of escrow of a sale to the initial homebuyer. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E \times F) + G$$

These terms have the following meaning:

- PP = the partial prepayment amount
- P<sub>E</sub> = the prepayment amount calculated according to Section I.1.a., and the call premium, if any, as determined by Section I.1.b.
- F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax.
- G = the administrative fee determined in Section I.1.b.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax shall notify the Assistant Superintendent of Business Services of (i) such owner's intent to

partially prepay the Maximum Special Tax, and (ii) the percentage by which the Maximum Special Tax shall be prepaid, and within five (5) days of receipt of such notice, the Assistant Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit to cover the cost to be incurred by CFD No. 2021-1 in calculating the proper amount of a partial prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the partial prepayment amount of such Assessor's Parcel.

With respect to any Assessor's Parcel that is partially prepaid, the Assistant Superintendent of Business Services shall (i) distribute the funds remitted pursuant to Section I.1.d, and (ii) indicate in the records of CFD No. 2021-1 with respect to IA-2 that there has been a partial prepayment of the Maximum Special Tax and that a portion of the Assigned Special Tax and Backup Special Tax equal to the outstanding percentage (1.00 - F) of the Assigned Special Tax and Backup Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no partial Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

**J. TERM OF THE SPECIAL TAX**

The Special Tax shall be levied annually on each Assessor's Parcels of Taxable Property for a term of five (5) Fiscal Years after the final maturity of the last series of Bonds, provided that the Special Taxes shall not be levied later than Fiscal Year 2063/64.

**K. PURPOSE OF THE SPECIAL TAXES**

A summary of the proposed facilities to be financed include, but is not limited to, (1) water and sewer facilities of Eastern Municipal Water District ("EMWD"), (2) City of Hemet facilities consisting of public capital improvements authorized to be financed with City of Hemet development impact fees, and (3) elementary, middle, and high school buildings; special education facilities and transportation facilities, as well as central administration and support facilities as needed and applicable, together with land and all necessary equipment including technology improvements, equipment and personal property of the School District, together with an estimated useful life of five (5) years or longer to serve the properties and students within CFD 2021-1 IA-2, the School District, EMWD and the City of Hemet. The authorized facilities are detailed in the Resolution of Intention to Establish CFD 2021-1 approved by the School District related to IA-2 of CFD No. 2021-1. The herein-provided Special Taxes are contractually encumbered and committed to the School District as contemplated by Section 9 of Article 1 of the California Constitution and the applicable provisions of the Federal Constitution.

## **APPENDIX C**

### **SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT**

The following is a brief summary of certain provisions of the Fiscal Agent Agreement with respect to the Bonds not otherwise summarized in the text of this Official Statement under the headings “THE BONDS” and “SECURITY FOR THE BONDS.” This summary does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the Fiscal Agent Agreement in its entirety to which reference is made for the detailed provisions thereof.

#### **DEFINITIONS**

“Account” means any account created pursuant to the Fiscal Agent Agreement.

“Act” means the Mello-Roos Community Facilities Act of 1982, being Sections 53311, *et seq.*, of the California Government Code, as amended.

“Additional Bonds” means additional Bonds, authorized by and at any time Outstanding pursuant to the Act and the Fiscal Agent Agreement.

“Administrative Expense Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement for the purpose of paying Administrative Expenses of the Fiscal Agent, the Community Facilities District, and the School District pursuant to the Fiscal Agent Agreement.

“Administrative Expense Requirement” means an initial amount of \$28,154.06 for Fiscal Year 2025-26, escalating at 2% per Fiscal Year for each successive Fiscal Year, or such other lesser amount as directed by the Community Facilities District as necessary for administration of the Community Facilities District.

“Administrative Expenses” means the ordinary and necessary fees and expenses for proceedings of the Community Facilities District, issuance of the Bonds, determination of the Special Tax and administering the levy and collection of the Special Tax and of servicing the Bonds, including any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the Community Facilities District and the School District in carrying out their duties under the Fiscal Agent Agreement (including, but not limited to, annual audits, special tax consultants and attorneys, and costs incurred in the levying and collection of the Special Taxes, the costs incurred in the foreclosure of parcels delinquent in the payment of Special Taxes and costs of compliance with disclosure obligations of the Community Facilities District) including the fees and expenses of its counsel, an allocable share of the salaries of staff to the School District directly related thereto and a proportionate amount of general administrative overhead related thereto and all other costs and expenses of the School District (acting as administrator of the Community Facilities District), the Dissemination Agent and the Fiscal Agent incurred in connection with the discharge of their respective duties under the Fiscal Agent Agreement and, in the case of the School District, in any way related to the administration of the Community Facilities District, including “Administrative Expenses” as defined in the Rate and Method of Apportionment for the Community Facilities District.

“Annual Debt Service” means for each Bond Year from the date of the Bonds to their maturity the annual debt service, including:

(1) the principal amount of all Outstanding Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Payment; and

(2) the interest payable on the aggregate principal amount of the Bonds Outstanding in such Bond Year assuming the Bonds are retired as scheduled.

“Apportionment” means the apportionment of tax revenues, including Special Taxes and other amounts constituting Gross Taxes, by the Auditor-Controller of the County of Riverside.

“Appraisal Report” means an appraisal prepared by an MAI appraiser appointed and retained by the School District or the Community Facilities District.

“Authorized Denominations” means \$5,000 or any integral multiple thereof.

“Authorized Representative” means (i) the Superintendent, (ii) the Deputy Superintendent, Business Services, (iii) the written designee of the Superintendent or the Deputy Superintendent, Business Services, or (iv) any other officer or employee authorized by the Governing Board of the School District.

“Average Annual Debt Service” means the average over all Bond Years of the Annual Debt Service from the date of the Bonds to their maturity.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys, selected by the Community Facilities District with expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities, of nationally recognized standing in matters pertaining to the tax treatment of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Bond Register” means the books which the Fiscal Agent shall keep or cause to be kept, on which the registration and transfer of the Bonds shall be recorded.

“Bond Year” means the twelve-month period beginning on the day after expiration of the preceding Bond Year. The first Bond Year shall begin on the Closing Date and end on September 1, 2025.

“Bondowner” or “Owner” means the person or persons in whose name or names ownership of any Bond is registered on the Registration Books.

“Bonds” means the 2025 Bonds and any Additional Bonds, authorized by and at any time Outstanding pursuant to the Act and the Fiscal Agent Agreement.

“Business Day” means a day which is not a Saturday or Sunday and which is a day that banks in New York, New York, Los Angeles, California, and the city in which the Trust Office of the Fiscal Agent is located, are not required or authorized to remain closed.

“City” means the City of Hemet, and its successors and assigns.

“City Facilities Account” means the account by that name in the Construction Fund established pursuant to the Fiscal Agent Agreement, which account constitutes the Other Facilities Account of the Improvement Fund described in the JCFA (City of Hemet).

“Closing Date” means (i) with respect to the 2025 Bonds, the date of delivery of the 2025 Bonds by the Community Facilities District and payment therefor by the original purchaser thereof the date of delivery of the Bonds by the Community Facilities District and payment therefor by the original purchaser thereof and (b) with respect to each Series of Additional Bonds, , the date of delivery of such Series of Additional Bonds by the Community Facilities District and payment therefor by the original purchaser thereof.

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Community Facilities District” means Community Facilities District No. 2021-1 of the Hemet Unified School District, established pursuant to the Act.

“Completion of the Project” means certification by an Authorized Representative to the Fiscal Agent that all Project Costs have been paid or are not required to be paid from the Construction Fund.

“Construction Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Certificate provided by the Community Facilities District in connection with the issuance of the Bonds, as originally executed and as may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means the costs and expenses incurred in connection with the Community Facilities District proceedings and the issuance and sale of the Bonds, including, but not limited to, the acceptance and initial annual fees and expenses of the Fiscal Agent, fees and expenses of the appraiser, legal fees and expenses, costs of reproducing the Bonds, costs of printing the preliminary and final Official Statement, fees of financial consultants, payment to the Developer for the formation deposit, and all other related fees and expenses.

“Costs of Issuance Account” means the account by that name in the Construction Fund created and established pursuant to the Fiscal Agent Agreement from which the Costs of Issuance will be paid.

“Dated Date” means the date of initial issuance and delivery of the Bonds.

“Debt Service” means the principal of and interest payable on the Bonds in accordance with the Fiscal Agent Agreement.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Fiscal Agent Agreement.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“Developer” means D.R. Horton Los Angeles Holding Company, Inc, a California corporation.

“Dissemination Agent” Special District Financing & Administration, or any successor dissemination agent appointed by the Community Facilities District pursuant to the Continuing Disclosure Agreement.

“DTC” means The Depository Trust Company, and its successors and assigns.

“EMWD” means Eastern Municipal Water District, and its successors and assigns.

“EMWD Facilities Account” means the account by that name in the Construction Fund established pursuant to the Fiscal Agent Agreement.

“Event of Default” means any of the events specified in the Fiscal Agent Agreement.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Issuer and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

“Federal Securities” means any of the following:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) of the definition of the term “Permitted Investments” below);

(b) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGS”);

(c) Direct obligations of the Department of the Treasury of the United States of America including obligations issued or held in book entry form and those which have been stripped by the U.S. Treasury itself, e.g., CATS, TIGRS and similar securities;

(d) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York and are in book-entry form; and

(e) Obligations issued by the following agencies which are backed by the full faith and credit of the United States:

- (i) U.S. Export-Import Bank - direct obligations or fully guaranteed certificates of beneficial ownership
- (ii) Rural Economic Community Development Administration (formerly the Farmers Home Administration) - certificates of beneficial ownership
- (iii) Federal Financing Bank
- (iv) General Services Administration - participation certificates
- (v) U.S. Maritime Administration - guaranteed Title XI financing
- (vi) U.S. Department of Housing and Urban Development (HUD)-Project Notes, Local Authority Bonds, New Communities Debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

“Fiscal Agent” means U.S. Bank Trust Company, National Association, a national banking association, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Fiscal Agent Agreement and any successor thereto.

“Fiscal Agent Agreement” means the Fiscal Agent Agreement, as amended or supplemented pursuant to the terms thereof.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the School District as its Fiscal Year in accordance with applicable law.

“Governing Board” means the Governing Board of the Hemet Unified School District, acting on behalf of the Community Facilities District.

“Gross Proceeds” shall have the meaning set forth in the Tax Certificate.

“Gross Taxes” means, with respect to the Bonds, (i) the amount of all collected Special Taxes for Improvement Area No. 2, (ii) proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes and (iii) proceeds from any security for payment of Special Taxes for Improvement Area No. 2 taken in lieu of foreclosure; *provided, however*, that the Community Facilities District may waive payment of penalties and interest accruing in connection with delinquent Special Tax payments (but not delinquent Special Tax payments, unless authorized in accordance with Section 53356.6 of the Government Code of the State) and to the extent waived, such amounts shall not constitute Gross Taxes.

“Improvement Area No. 2” means Improvement Area No. 2 of the Community Facilities District.

“Independent Financial Consultant” means a financial consultant or firm of such consultants



generally recognized to be well qualified in the financial consulting field, appointed and paid by the Community Facilities District and who, or each of whom is:

- (1) independent and not under the domination of the Community Facilities District;
- (2) not having any substantial interest, direct or indirect, with the Community Facilities District; and
- (3) not connected with the Community Facilities District or the Developer as a member, officer, or employee of the Community Facilities District or the Developer, but who may be regularly retained to make annual or other reports to the Community Facilities District or the Developer.

“Information Services” means the information services, if any, specified in the Fiscal Agent Agreement or such other information services as specified in writing by the Community Facilities District to the Fiscal Agent.

“Interest Account” means the account by that name in the Bond Fund created and established pursuant to the Fiscal Agent Agreement.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2025.

“JCFA (City of Hemet)” means the Joint Community Facilities Agreement with respect to Improvement Area No. 2, dated April 1, 2021, by and among the School District, City of Hemet and D.R. Horton Los Angeles Holding Company, Inc., as such agreement may from time to time be amended or supplemented, as the context requires.

“JCFA (EMWD)” means the Joint Community Facilities Agreement with respect to Improvement Area No. 2, dated May 1, 2021, by and among the School District, Eastern Municipal Water District, and D.R. Horton Los Angeles Holding Company, Inc., as such agreement may from time to time be amended or supplemented, as the context requires.

“Legislative Body” means the Governing Board of the School District, acting as the legislative body of the Community Facilities District.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest annual installment of principal (including Sinking Payments) and interest on the Bonds during the current or any future Bond Year.

“Maximum Special Tax” shall have the meaning given to such term in the Rate and Method of Apportionment of Special Tax for Improvement Area No. 2.

“Mitigation Agreement” means the School Facilities Funding and Mitigation Agreement, dated as of April 1, 2021, with respect to Improvement Area No. 2, by and between the School District and D.R. Horton Los Angeles Holding Company, Inc., a California corporation.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Special Taxes” means, with respect to Improvement Area No. 2, the amount of all Gross Taxes minus the Administrative Expense Requirement.

“Nonpurpose Investment” has the meaning ascribed to such term in the Tax Certificate.

“Opinion of Bond Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds.

“Ordinance” Ordinance No. CFD-17 adopted, signed, and approved on March 9, 2021, in connection with the formation of the Community Facilities District, by the legislative body of the Community Facilities District authorizing the levy of a Special Tax in Improvement Area No. 2.

“Outstanding Bonds” means all Bonds theretofore issued by the Community Facilities District with respect to Improvement Area No. 2, except:

(1) Bonds theretofore canceled or surrendered for cancellation in accordance with the Fiscal Agent Agreement;

(2) Bonds for payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Fiscal Agent Agreement; and

(3) Bonds defeased but without notice being given pursuant to the Fiscal Agent Agreement.

“Participating Underwriter” shall have the meaning ascribed thereto in the Community Facilities District Continuing Disclosure Agreement.

“Payment Request Form” means a payment request form substantially in the form of Exhibit B of the Fiscal Agent Agreement.

“Permitted Investments” means any of the following which at the time of investment are legal investments (any direction of the Community Facilities District to the Fiscal Agent constituting a certification to the Fiscal Agent that such investments are legal investments) under the laws of the State for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below);

(a) Federal Securities;

(b) Senior debt obligations rated “AAA” by S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

(c) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and maturing no more than 360 days after the date of

purchase (ratings on holding companies are not considered as the rating of the bank);

(d) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and which matures not more than 270 days after the date of purchase;

(e) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P; and

(f) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice;

(1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P or any successors thereto; or

(2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Prepaid Special Taxes” means all Special Taxes prepaid with respect to Improvement Area No. 2 of the Community Facilities District pursuant to the Rate and Method of Apportionment during the term of the Fiscal Agent Agreement, less related Administrative Expenses.

“Prepayment Account” means the account by that name in the Special Tax Fund created and established pursuant to the Fiscal Agent Agreement in which are deposited all Special Taxes prepaid by a property owner in accordance with the Rate and Method of Apportionment.

“Principal Account” means the account by that name within the Bond Fund created and established pursuant to the Fiscal Agent Agreement.

“Project” means (i) the planning, engineering, design, acquisition, construction, lease, improvement and/or financing of interim and permanent facilities, including classrooms, multi-purpose facilities, recreational facilities, administration, and auxiliary space at school facilities, central support, and transportation facilities as more particularly described in the Resolution of Formation, (ii) the construction, acquisition, modification, expansion, maintenance and/or rehabilitation of water facilities and/or sewer system facilities, including capacity in the sewer system and/or water system of EMWD as more particularly described in the Resolution of Formation, and (iii) the construction, acquisition, modification, expansion, maintenance and/or rehabilitation of public capital improvements to be financed with City development impact fees, including, but not limited to, interchange improvements, streets and street improvements, traffic signals, fire facilities, police facilities, parkland facilities, park facilities, recreation center facilities, library facilities, City Hall facilities, corporate yard facilities, maintenance facilities,

animal shelter facilities, and all appurtenances and appurtenant work in connection with the foregoing; including the costs associated with the creation of the Community Facilities District, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District; and any other expenses incidental to the construction, completion, and inspection of the authorized work.

“Project Costs” means the amounts necessary to finance or refinance the Project, to create and replenish any necessary reserve funds, to pay the annual costs associated with the Bonds, including, but not limited to, Fiscal Agent and other fees and to pay any “incidental expenses” of the Community Facilities District, as such term is defined in the Act, excluding Administrative Expenses.

“Rate and Method of Apportionment” means the Rate and Method of Apportionment of Special Taxes for Improvement Area No. 2 of the Community Facilities District approved by the Governing Board and the qualified electors of Improvement Area No. 2 on February 23, 2021, pursuant to which the Special Taxes in Improvement Area No. 2 will be levied.

“Rebate Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth calendar day, whether or not such day is a Business Day, of the month preceding such Interest Payment Date.

“Redemption Account” means the account by that name within the Redemption Fund created and established pursuant to the Fiscal Agent Agreement.

“Redemption Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Refunding Bonds” means Additional Bonds issued by the Community Facilities District with respect to Improvement Area No. 2, the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the principal and interest on the Additional Bonds to their final maturity date is less than the principal and interest on the Outstanding Bonds being refunded to their final maturity date, and the final maturity of the Additional Bonds is not later than the final maturity of the Outstanding Bonds being refunded.

“Reserve Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the least of (i) 10% of the proceeds the Bonds, (ii) Maximum Annual Debt Service on the Outstanding Bonds, or (iii) 125% of Average Annual Debt Service; provided, however:

(X) for purposes of clause (i), “proceeds” means the par amount of the Bonds, except that the issue price of the 2025 Bonds or any Additional Bonds excluding accrued interest shall be used rather than the par amount, if (1) the net original issue discount or premium of the 2025 Bonds or any Additional Bonds was less than 98% or more than 102% of the original principal amount of the 2025 Bonds or any Additional Bonds and (2) using the issue price would produce a lower result than using the par amount;

(Y) that in no event shall the amount calculated hereunder exceed the amount on deposit in the Reserve Fund on the date of issuance of the 2025 Bonds (if they are the only Bonds covered by the Reserve Fund) or the most recently issued series of Additional Bonds except in connection with any increase associated with the issuance of Additional Bonds; and

(Z) that in no event shall the amount required to be deposited into the Reserve Fund in connection with the issuance of a series of Additional Bonds exceed the maximum amount under the Code that can be financed with tax-exempt bonds and invested an unrestricted yield.

As of the Closing Date, the Reserve Requirement will be \$\_\_\_\_\_.

“Residual School Facilities Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Resolution of Formation” means Resolution No. 17-18-36 adopted by the Governing Board on March 13, 2018, pursuant to which the School District established the Community Facilities District.

“Resolution of Formation” means Resolution No. 2766 adopted by the Governing Board on February 23, 2021, pursuant to which the School District established the Community Facilities District and Improvement Area No. 2.

“Resolution of Issuance” means Resolution No. 4027 adopted by the Governing Board on February 11, 2025, authorizing the issuance of the Bonds and approving the terms and provisions of the Fiscal Agent Agreement, and certain other financing documents.

“School District” means the Hemet Unified School District, Hemet, California.

“School Facilities Account” means the account by that name in the Construction Fund established pursuant to the Fiscal Agent Agreement.

“Serial Bonds” means with respect to each Series of Bonds, all of the Bonds of such Series with annual maturities excluding Term Bonds of such Series.

“Series” when used with reference to the Bonds, shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Fiscal Agent Agreement or a Supplemental Fiscal Agent Agreement authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds and each Series of Bonds shall be secured solely by and payable solely from Special Taxes as more fully provided in the Fiscal Agent Agreement.

“Sinking Account” means the account in the Redemption Fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Sinking Payment” means with respect to a Series of Bonds an annual payment to be applied to redeem a portion of the Term Bonds of such Series in accordance with the schedule set forth in the Fiscal Agent Agreement or Supplemental Fiscal Agent Agreement, as applicable.

“Special Tax” or “Special Taxes” means the special taxes authorized to be levied by the Community Facilities District within Improvement Area No. 2 of the Community Facilities District in accordance with

the Ordinance, the Resolution of Formation, the Act and the approval of the qualified electors therein, or otherwise permitted to be levied subsequent thereto after approval by the qualified electors of Improvement Area No. 2 in accordance with the Act, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

“Special Tax Consultant” means Special District Financing & Administration or any successor Special Tax Consultant designed by the Community Facilities District.

“Special Tax Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Group, its successors, or assigns.

“Superintendent” means the Superintendent of the School District, or his or her designee.

“Supplement” or “Supplemental Fiscal Agent Agreement” means any supplemental fiscal agent agreement hereafter duly authorized and entered into between the Community Facilities District and the Fiscal Agent, supplementing, modifying, or amending the Fiscal Agent Agreement; but only if and to the extent that such Supplemental Fiscal Agent Agreement is specifically authorized thereunder.

“Tax Certificate” means the certificate delivered upon the issuance of the Bonds relating to Sections 103-150 of the Code, or any functionally similar replacement certificate as may be delivered by the Community Facilities District from time to time.

“Tax-Exempt” means, with reference to a Permitted Investment, Permitted Investments that are (i) tax-exempt obligations that are not specified private activity bonds under Section 57 of the Code, (ii) interests in a regulated investment company to the extent that at least 95% of the income to the holder of the interest is interest that is excludable from gross income under Section 103 of the Code; or (iii) certificates of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program.

“Taxable Property” means all property in Improvement Area No. 2 of the Community Facilities District that may be subject to levy of the Special Tax pursuant to the Rate and Method of Apportionment.

“Term Bonds” means the Bonds of a specified maturity with Sinking Payments as designated in the Fiscal Agent Agreement or in a Supplemental Fiscal Agent Agreement.

“Trust Office” means the corporate trust office of the Fiscal Agent, currently at 633 West Fifth Street, 24<sup>th</sup> Floor, Los Angeles, California 90071, except for exchange, surrender and payment of the Bonds, in which case “Trust Office” shall refer to the corporate trust office of U.S. Bank Trust Company, National Association, or in each case such other or additional offices as may be specified to the School District by the Fiscal Agent in writing.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated, the underwriter of the Bonds.

“Yield” has the meaning given to such term in the Code, which as of the Closing Date is specified in the Tax Certificate.

“2025 Bonds” means the aggregate principal amount of Community Facilities District No. 2021-1 of the Hemet Unified School District Improvement Area No. 2 2025 Special Tax Bonds, authorized by and at any time Outstanding pursuant to the Act and the Fiscal Agent Agreement.

## **THE BONDS**

**Type and Nature of Bonds.** The Bonds and interest thereon, together with any premium paid thereon upon redemption, are not obligations of the School District, but are limited obligations of the Community Facilities District secured by and payable from an irrevocable first lien on and first pledge of the Net Special Taxes. Except with respect to the Net Special Taxes, neither the credit nor the taxing power of the Community Facilities District or the School District is pledged for the payment of the Bonds or the interest thereon, and no Owner of the Bonds may compel the exercise of taxing power by the Community Facilities District or the School District or the forfeiture of any of their property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the Community Facilities District, the School District, the State of California or any of its political subdivisions in contravention of any constitutional or statutory limitation or restriction. The Bonds are not general or special obligations of the School District nor general obligations of the Community Facilities District but are limited obligations of the Community Facilities District payable solely from certain amounts deposited by the Community Facilities District in the Special Tax Fund, Redemption Fund, and Reserve Fund. The Bonds are not a legal or equitable pledge, charge, lien, or encumbrance, upon any of the Community Facilities District’s property, or upon any of its income, receipts, or revenues, except the amounts which are, under the Fiscal Agent Agreement and the Act, set aside for the payment of the Bonds and interest thereon, and neither the members of the Governing Board, as the Legislative Body of the Community Facilities District, the School District nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Notwithstanding anything contained in the Fiscal Agent Agreement, the Community Facilities District shall not be required to advance any money derived from any source of income other than the Net Special Taxes for the payment of the interest on or the principal of the Bonds or for the performance of any covenants herein contained. The Community Facilities District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

**Equality of Bonds; Pledge of Net Special Taxes.** Pursuant to the Act and the Fiscal Agent Agreement, the Bonds shall be equally payable from the Net Special Taxes without priority for number, issue date, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof shall be exclusively paid from the Net Special Taxes and moneys on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund, and the Reserve Fund which are hereby set aside for the payment of the Bonds. The Net Special Taxes and any interest earned on the Net Special Taxes shall constitute a trust fund held for the benefit of the Owners of the Bonds to be applied to the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement or any Supplement. Notwithstanding any provision contained in the Fiscal Agent Agreement to the contrary, Net Special Taxes deposited in the Rebate Fund and Gross Taxes deposited in the Administrative Expense Fund shall no longer be considered to be pledged to the Bonds, and none of the Administrative Expense Fund, the Construction Fund, the Rebate Fund, or the Residual School Facilities Fund shall be construed as a trust fund held for the benefit of the Owners of the Bonds.

Nothing in the Fiscal Agent Agreement or any Supplement shall preclude the redemption prior to maturity of any Bonds of any maturity subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California.

**Place and Form of Payment.** The Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and any premiums due upon the redemption thereof shall be payable by check upon presentation and surrender thereof at the Trust Office of the Fiscal Agent. Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest shall be payable from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or if no interest has been paid on such Bond the interest shall be payable from the date of issuance of the Bonds. Interest on any Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest shall be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register as of the close of business on the preceding Record Date, except the Owner of at least \$1,000,000 in aggregate principal amount of Bonds may be paid by wire transfer in immediately available funds to an account of a bank or financial institution in the United States designated by such Owner if the Owner makes a written request of the Fiscal Agent on or prior to the applicable Record Date.

**Execution and Authentication.** The Bonds shall be signed on behalf of the Community Facilities District by the manual or facsimile signature of the President of the Governing Board in his or her capacity as an officer of the Community Facilities District, and attested by the manual or facsimile signature of the Clerk or Secretary of the Governing Board. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed have been authenticated and delivered by the Fiscal Agent (including new Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds shall nevertheless be valid and may be authenticated and delivered as herein provided, and may be issued as if the person who signed such Bonds had not ceased to hold such office.

Only such Bonds as shall bear thereon such certificate of authentication in the form set forth in Exhibit A hereto shall be entitled to any right or benefit under the Fiscal Agent Agreement, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Fiscal Agent.

**Bond Register.** The Fiscal Agent will keep or cause to be kept, at its Trust Office, sufficient records for the registration and transfer of ownership of the Bonds which shall be open to inspection during regular business hours and upon reasonable prior notice by the Community Facilities District, 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 such records, the ownership of the Bonds as herein provided.



The Community Facilities District and the Fiscal Agent may treat and consider the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the Community Facilities District and the Fiscal Agent shall not be affected by any notice to the contrary. The Community Facilities District and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes, including for payment of principal of and interest on such Bond, for the purpose of giving notices of redemption, if applicable, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond. It shall be the duty of the Bondowner to give written notice to the Fiscal Agent of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

**Registration of Exchange or Transfer.** The registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the Trust Office of the Fiscal Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney in the form set forth on the Bond or otherwise in a form approved by the Fiscal Agent. The Owner requesting such transfer shall be required to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Trust Office of the Fiscal Agent for a like aggregate principal amount of Bonds of other Authorized Denominations of the same maturity. The Fiscal Agent will not charge the Owner a fee for any new Bond issued upon any exchange but shall require the Bondowner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the Community Facilities District shall execute and the Fiscal Agent shall authenticate and deliver in the name of the transferee or in the name of the existing Owner in the case of an exchange, a new Bond or Bonds of Authorized Denominations, of the same maturity, for a like aggregate principal amount; provided, that the Fiscal Agent shall not be required to register transfers or make exchanges of Bonds (i) between a Record Date and the immediately succeeding Interest Payment Date, (ii) within the 15 days prior to the date designated by the Fiscal Agent as the date for selecting Bonds for redemption or (iii) selected for redemption.

**Mutilated, Lost, Destroyed or Stolen Bonds**Error! Bookmark not defined.. If any Bond shall become mutilated, the Community Facilities District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor, date, maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled and delivered to the Community Facilities District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and, if prior to the authentication and delivery of such new Bond indemnity satisfactory to the Community Facilities District and the Fiscal Agent shall be given, the Community Facilities District, at the expense of the Bondowner, shall execute and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and maturity, numbered and dated as such Fiscal Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued in lieu of any Bond alleged to be lost, destroyed, or stolen, shall be equally and proportionately entitled to the benefits hereof with all other Bonds issued hereunder. The Fiscal Agent shall not treat both the original Bond and any replacement Bond as being Outstanding Bonds for the purpose of determining the principal amount of Bonds which may be executed,

authenticated, and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond in place of a Bond which has been mutilated, lost, destroyed, or stolen, and which has matured, the Fiscal Agent may make payment with respect to such Bond upon receipt of the above-mentioned indemnity. The Community Facilities District and the Fiscal Agent may charge the Owners of the Bonds for their reasonable fees and expenses in connection with replacing lost, stolen, or destroyed Bonds.

**Validity of Bonds.** The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Community Facilities District for the financing of the Project, or by any contracts made by the Community Facilities District in connection therewith, and shall not be dependent upon the completion of the financing of the Project or upon the performance by any person of his obligation with respect to the Project, and the recital contained in the Bonds that the same are issued pursuant to the Act shall be conclusive evidence of their validity and of the regularity of their issuance.

**Additional Bonds.** Subject to the satisfaction of the specific conditions set forth in the Fiscal Agent Agreement, the Community Facilities District may at any time after the issuance and delivery of the 2025 Bonds issue Additional Bonds payable from Net Special Taxes and other amounts deposited in the funds and accounts created under the Fiscal Agent Agreement or under any Supplemental Fiscal Agent Agreement (other than in the Administrative Expense Fund, the Construction Fund, the Rebate Fund, and the Residual School Facilities Fund) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Additional Bonds theretofore issued under the Fiscal Agent Agreement or under any Supplemental Fiscal Agent Agreement; provided, however, that Additional Bonds may only be issued as Refunding Bonds.

The issuance of any Series of Additional Bonds shall be subject to the following additional specific conditions, which are conditions precedent to the issuance of such Additional Bonds:

- A. The Community Facilities District shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and any Supplemental Fiscal Agent Agreement then in effect; provided, however, that Additional Bonds may be issued notwithstanding that the Community Facilities District is not in compliance with all such covenants so long as immediately following the issuance of such Additional Bonds the Community Facilities District will be in compliance with all such covenants.
- B. The Supplemental Fiscal Agent Agreement providing for the issuance of such Additional Bonds shall provide that interest thereon shall be payable on the Interest Payment Dates, and principal thereof shall be payable on September 1 (provided that there shall be no requirement that any Additional Bonds pay interest on a current basis).
- C. The Supplemental Fiscal Agent Agreement providing for the issuance of such Additional Bonds shall provide for the amount, if any, to be deposited from the proceeds of such Additional Bonds in the Reserve Fund to increase the amount therein to the Reserve Requirement.
- D. The Community Facilities District shall deliver to the Fiscal Agent a written certificate of an Authorized Representative certifying that the conditions precedent to the issuance of such Additional Bonds set forth in paragraphs (A), (B) and (C) above have been satisfied.

Nothing in this Section shall prohibit the Community Facilities District from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

## CREATION OF FUNDS; APPLICATION OF PROCEEDS AND NET SPECIAL TAXES

**Special Tax Fund.** No later than the last Business Day of the month in which the County Auditor of the County of Riverside makes an apportionment of tax revenues, including Special Taxes and other amounts constituting Gross Taxes, if any, and such apportionment is transferred to the Fiscal Agent on behalf of the Community Facilities District (any such apportionment being hereinafter referred to as an “**Apportionment**”) (exclusive of Prepaid Special Taxes received which shall be deposited into the Prepayment Account of the Special Tax Fund), the Fiscal Agent shall deposit such Apportionment and any other amounts constituting Net Special Taxes in the Special Tax Fund, to be held and transferred on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

(1) the Administrative Expense Fund, the amount of \$28,154.06 for Fiscal Year 2025-26 escalating at 2% per Fiscal Year for each successive Fiscal Year or such lesser amount as shall be directed by the Community Facilities District;

(2) the Interest Account of the Bond Fund an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on such Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due;

(3) the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Bonds during the current Bond Year;

(4) the Sinking Account of the Redemption Fund, an amount up to the amount needed to make the Sinking Payments due on the Bonds during the current Bond Year;

(5) the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement;

(6) provided all the amounts due in the current Bond Year are funded under (1), (2), (3), (4), and (5) above, to the extent the Administrative Expense Requirement deposited under (1) above is not sufficient to pay the Administrative Expenses until collection of Special Taxes in the next Fiscal Year, to Administrative Expense Fund in the amount required to bring the balance therein to an amount sufficient to pay such expenses;

(7) the Rebate Fund, the amount, if any, necessary to fund the Rebate Requirement pursuant to the Fiscal Agent Agreement; and

(8) any remaining Special Taxes and other amounts constituting Gross Taxes shall remain in the Special Tax Fund until the end of the Bond Year. At the end of the Bond Year any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal of and interest on the Bonds (including payment of Sinking Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (5), above, or to pay current or pending Administrative Expenses as provided for in (1) and (6), above, shall upon receipt of written direction from an Authorized Representative be deposited in the Residual School Facilities Fund and used in accordance with the Fiscal Agent Agreement and shall be free and clear of any lien thereon or pledge under the Fiscal Agent Agreement; *provided*, any funds which are

required to cure any delinquency described above shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

There shall also be deposited into the Special Tax Fund such available moneys as the Community Facilities District shall determine, to be applied in accordance with the Fiscal Agent Agreement, including moneys to be deposited into the Redemption Fund to be applied to the payment or redemption of Bonds pursuant to the Fiscal Agent Agreement. Upon provision for payment or redemption of all Outstanding Bonds and after payment of any amounts due to the Fiscal Agent, all moneys remaining in the Special Tax Fund shall be paid to the School District and for any permissible purposes.

Funds in the Special Tax Fund shall be invested in accordance with the Fiscal Agent Agreement. Investment earnings on amounts in the Special Tax Fund, if any, shall be retained therein.

*Prepayment Account of the Special Tax Fund.* Prepaid Special Taxes collected by the Community Facilities District (net of any costs of collection) shall be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and the Community Facilities District shall direct the Fiscal Agent to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes shall be held in the Prepayment Account for the benefit of the Bonds and shall be transferred by the Fiscal Agent to the Redemption Account of the Redemption Fund to redeem Bonds on the next Interest Payment Date for which notice can be given in accordance with the special mandatory redemption provisions as set forth in the Fiscal Agent Agreement and shall be applied to redeem Bonds in accordance with the Fiscal Agent Agreement. Moneys representing the Prepaid Special Taxes shall be invested in accordance with the Fiscal Agent Agreement. Investment earnings on amounts in the Prepayment Account not needed to redeem the Bonds pursuant to special mandatory redemption provisions of the Fiscal Agent Agreement shall be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Redemption Account of the Redemption Fund.

**Administrative Expense Fund.** The Fiscal Agent shall deposit into the Administrative Expense Fund from each Apportionment an amount which shall be specified in writing by the Authorized Representative to the Fiscal Agent equal to the Administrative Expenses coming due on or before the next succeeding Interest Payment Date; provided however, that the Fiscal Agent shall not deposit an amount in excess of the Administrative Expense Requirement unless the amounts required for payment of principal of and interest on the Bonds from such Apportionment have been made, the Reserve Fund is funded at or above the Reserve Requirement and amounts necessary to satisfy the Rebate Requirement are deposited in the Rebate Fund. The Fiscal Agent shall apply the moneys on deposit in the Administrative Expense Fund to the payment of Administrative Expenses, as directed in writing by the Authorized Representative. Amounts to pay Administrative Expenses shall be paid from the Administrative Expense Fund upon receipt by the Fiscal Agent of a written requisition in substantially the form of Exhibit B of the Fiscal Agent Agreement from the Authorized Representative, stating the payee and the amount owing.

Investment earnings on amounts in the Administrative Expense Fund, if any, shall be retained therein.

**Bond Fund.** The principal of and interest on the Bonds until maturity, except principal coming due upon the redemption of Bonds, shall be paid by the Fiscal Agent from the Bond Fund. At the maturity of the Bonds and, after all principal and interest then due on the Bonds then Outstanding has been paid or provided for, moneys in the Bond Fund shall be transferred to the Special Tax Fund.

(a) One Business Day prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund or the Reserve Fund, in the event that sufficient moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to all of the principal and all of the interest due and payable on Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund available to pay principal and/or interest on such Bonds. Notwithstanding the foregoing, amounts in the Bond Fund resulting from transfers from the Construction Fund pursuant to the Fiscal Agent Agreement shall be used to pay the principal of and interest on such Bonds prior to the use of any other amounts in the Bond Fund for such purpose. The Fiscal Agent shall apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Bonds on each Interest Payment Date; and

(b) Moneys in the Bond Fund shall be invested in accordance with the Fiscal Agent Agreement. All investment earnings and profits resulting from such investment shall be retained in the accounts established for the Bonds in the Bond Fund and used to pay principal of and interest on the Bonds. Upon final maturity of the Bonds and the payment of all principal of and interest on the Bonds, any moneys remaining in the Bond Fund shall be transferred to the Special Tax Fund.

#### **Redemption Fund.**

(a) After making the deposits to the Bond Fund pursuant to the Fiscal Agent Agreement and to the Sinking Account of the Redemption Fund for Sinking Payments then due pursuant to the Fiscal Agent Agreement and in accordance with the Community Facilities District's election to call Bonds for optional redemption as set forth in the Fiscal Agent Agreement, the Fiscal Agent shall transfer from the Special Tax Fund and deposit in the Redemption Account of the Redemption Fund moneys available for the purpose and sufficient to redeem, at the premiums payable as provided in the Fiscal Agent Agreement, any Bonds called for optional redemption.

(b) Prepaid Special Taxes collected by the Community Facilities District (net of any costs of collection) shall be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and the Community Facilities District shall direct the Fiscal Agent in writing to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes shall be held in the Prepayment Account for the benefit of the Bonds and shall be transferred by the Fiscal Agent to the Redemption Account of the Redemption Fund to call Bonds on the next Interest Payment Date for which notice can be given in accordance with the extraordinary mandatory redemption provisions as set forth in the Fiscal Agent Agreement. No later than the Business Day prior to redemption of Bonds from Prepaid Special Taxes, the greatest portion of the Prepaid Special Taxes in the Prepayment Account as may be used to redeem Bonds shall be transferred to the Redemption Account and applied to call Bonds on a pro rata basis among maturities of the Bonds specified by the Community Facilities District to the Fiscal Agent. Moneys representing the Prepaid Special Taxes shall be invested in accordance with the Fiscal Agent Agreement. Investment earnings on amounts in the Prepayment Account not needed to redeem the Bonds pursuant to the special mandatory redemption provisions of the Fiscal Agent Agreement shall be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Redemption Fund.

(c) Except as described in the following paragraph relating to the purchase of Bonds, moneys set aside in the Redemption Fund shall be used solely for the purpose of redeeming Bonds and shall be applied on or after the redemption date to the payment of principal and premium, if any of and interest on the Bonds to be redeemed upon presentation and surrender of such Bonds.

In lieu of or partially in lieu of such call and redemption, moneys deposited in the Redemption Fund as set forth above may be used to purchase Outstanding Bonds in the manner provided in the Fiscal Agent Agreement.

If, after all of the Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in the Redemption Fund or any account created therein, said moneys shall be transferred to the Special Tax Fund; provided, that if said moneys are part of the proceeds of refunding bonds said moneys shall be transferred to the fund or account created for the payment of principal of and interest on such refunding bonds. Moneys held in any account of the Redemption Fund shall be invested in accordance with the Fiscal Agent Agreement. Investment earnings on amounts in the Redemption Fund, if any, shall be retained therein.

**Reserve Fund.** There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding anything provided in the Fiscal Agent Agreement, in the event of a redemption or partial defeasance of the Bonds, the Reserve Requirement shall thereafter be determined by the Community Facilities District and communicated to the Fiscal Agent in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as set forth in the Fiscal Agent Agreement.

(a) Except as provided in the Fiscal Agent Agreement with respect to certain investment earnings, moneys in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Sinking Payments, and interest on Bonds when due to the extent that moneys in the Interest Account and the Principal Account of the Bond Fund or moneys in the Sinking Account, are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the Community Facilities District; (iii) making any transfers to the Bond Fund or Redemption Fund in connection with prepayments of the Special Taxes; (iv) paying the principal and interest due on Bonds in the final Bond Year; and (v) application to the defeasance of such Bonds in accordance with the Fiscal Agent Agreement. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Account of the Redemption Fund, are insufficient to pay the principal of, including Sinking Payments, or interest on the Bonds when due, the Fiscal Agent shall, one Business Day prior to an Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking Account of the Redemption Fund, moneys necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund, or the Sinking Account of the Redemption Fund, the Fiscal Agent shall notify the Community Facilities District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the Community Facilities District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

Moneys in the Reserve Fund used to offset the amount required to be collected through the Special Tax levy in the last year or years of collection shall be transferred to the Bond Fund or the Redemption Fund on or prior to the last day of August preceding the final maturity date; at the option of an Authorized Representative, such moneys may be used (i) to pay principal of and interest on the Bonds when due, (ii) for optional redemption of Bonds pursuant to the Fiscal Agent Agreement on the earliest date on which all Bonds Outstanding may be redeemed or (iii) for the purchase of Bonds pursuant to the Fiscal Agent Agreement, but only if, concurrently with any such redemption or purchase, all of the Bonds Outstanding are to be redeemed, refunded or purchased. In no event shall amounts in the Reserve Fund be used to pay fees or expense of the Fiscal Agent or its counsel.

Moneys in the Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. Notwithstanding any provision therein to the contrary, moneys in the Reserve Fund in excess of the Reserve Requirement (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement) shall be withdrawn on each March 1 and applied as follows: (i) until such time as the Construction Fund is closed in accordance with the provisions of the Fiscal Agent Agreement, all investment earnings on amounts in the Reserve Fund (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement identified in writing by the Community Facilities District and moneys needed to restore the Reserve Fund to the Reserve Requirement) shall be deposited to the School Facilities Account of the Construction Fund; (ii) after the expiration of the transfers under (i) all investment earnings on amounts in the Reserve Fund since the previous Interest Payment Date (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement identified in writing by the Community Facilities District and moneys needed to restore the Reserve Fund to the Reserve Requirement) shall be transferred to the Interest Account of the Bond Fund; and (iii) any remaining excess shall be transferred to the Principal Account of the Bond Fund or to the Sinking Account of the Redemption Fund to the extent required to make any principal payments or Sinking Payments on the next following Interest Payment Date. The Fiscal Agent shall transfer moneys in the Reserve Fund in excess of the Reserve Requirement from Reserve Fund earnings upon written direction of the Community Facilities District pursuant to the Fiscal Agent Agreement.

(b) Notwithstanding anything in the Fiscal Agent Agreement to the contrary, the Fiscal Agent shall transfer to the Reserve Fund, from available moneys in the Special Tax Fund, the amount needed to restore the Reserve Fund to the Reserve Requirement as specified in the Fiscal Agent Agreement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Fund only if such amounts will not be needed to make the deposit required to be made to the Interest Account and the Principal Account of the Bond Fund or the Sinking Account of the Redemption Fund for the next Interest Payment Date.

(c) The Reserve Requirement, or any portion thereof, may be satisfied by crediting to the Reserve Fund moneys, a letter of credit, a surety policy, or any other comparable credit facility or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement; however, the long-term unsecured debt or claims-paying ability, as the case may be, of the provider of any such letter of credit, surety policy, or any other comparable credit facility, must have a rating of at least "A1" from Moody's and "A+" from S&P (provided that the Fiscal Agent shall be under no obligation and have no responsibility whatsoever to independently determine or verify such rating other than at the time of delivery). In the event of the use of such a surety, the Fiscal Agent shall be provided with copies of all documents in regard thereto and shall, to the extent not in conflict with the provisions of the Fiscal Agent Agreement, conform to the forms thereof for purposes of submitting draws and making reimbursements, thereon.

#### **Construction Fund.**

(a) The moneys deposited in the Construction Fund from the proceeds of the Bonds shall be applied exclusively to pay or reimburse (i) the costs of issuing the Bonds and (ii) the Project Costs. Amounts to pay the costs of issuing the Bonds shall be paid from the Costs of Issuance Account upon receipt by the Fiscal Agent of a written requisition in substantially the form of Exhibit B of the Fiscal Agent Agreement from the Authorized Representative, stating the payee and the amount owing. Amounts for Project Costs shall be disbursed by the Fiscal Agent from the School Facilities Account of the Construction Fund, the EMWD Facilities Account of the Construction Fund, and the City Facilities Account of the Construction Fund only upon receipt of a written certificate, substantially in the form attached as Exhibit B of the Fiscal

Agent Agreement, from an Authorized Representative, or such other person as is designated in writing by the Legislative Body of the Community Facilities District, stating that (1) the conditions to the release of such funds have been satisfied, (2) the name of the person to whom payment is due, (3) the amount to be paid, (4) the purpose for which the obligation to be paid was incurred, and (5) there has not been filed with or served upon the Community Facilities District notice of any lien, right to lien or attachment upon, stop notice or claim affecting the right to receive payment of, any of the moneys payable to any of the persons named in such certificate or written requisition, which has not been released or will not be released simultaneously, with the payment, of such obligation, other than materialmen's or mechanic's liens accruing by mere operation of law.

(b) Six months after the Closing Date, or upon earlier receipt of a certificate from the Authorized Representative, the Fiscal Agent shall transfer moneys in the Costs of Issuance Account of the Construction Fund not encumbered for the payment of Costs of Issuance (as set forth in a certificate of an Authorized Representative) to the School Facilities Account of the Construction Fund the EMWD Facilities Account of the Construction Fund or the City Facilities Account of the Construction Fund in the priority specified in the Mitigation Agreement as directed by the Authorized Representative and the Costs of Issuance Account shall be closed.

Upon Completion of the Project, which shall be certified by the Community Facilities District to the Fiscal Agent, the Fiscal Agent shall transfer all moneys on deposit in the Construction Fund, except moneys in an amount designated by the Authorized Representative which are encumbered for the payment of Project Costs, (i) to the Residual School Facilities Fund and apply the amount to the acquisition and/or construction of school facilities pursuant to the Fiscal Agent Agreement or (ii) if in the Opinion of Bond Counsel the application of such moneys in a different manner in accordance with the written directions from the Authorized Representative will not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes; *provided, however*, that the Fiscal Agent shall immediately invest any funds so transferred to the Residual School Facilities Fund, at the direction of the Authorized Representative in Tax-Exempt Permitted Investments or shall restrict the yield on such amounts such that the yield on such amounts is not in excess of the Yield on the Bonds unless in the opinion of Bond Counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon completion of the portion of the Project relating to EMWD ("EMWD Facilities"), which shall be certified by the Community Facilities District to the Fiscal Agent, the Community Facilities District may, or may have an Independent Financial Consultant determine (i) the amount remaining in the EMWD Facilities Account, (ii) the amount of City Facilities (as defined below) funded consistent with the Mitigation Agreement, (iii) whether an amount equal to City Facilities has not been funded, and (iv) whether there are additional City Facilities to which such moneys may be disbursed. If there is an amount for City Facilities which has not been funded and there are City Facilities for which such funds may be disbursed, the funds from the EWMD Facilities Account may be transferred to the City Facilities Account, provided that such transfer shall not result in the City Facilities Account having been funded in an aggregate amount greater than the amounts which may be funded for City Facilities under the Mitigation Agreement, in which case the amount transferred to the City Facilities Account shall be determined by the School District in accordance with the Mitigation Agreement and the remainder shall be transferred to the Residual School Facilities Fund.

Upon completion of the portion of the Project relating to City ("City Facilities"), which shall be certified by the Community Facilities District to the Fiscal Agent, the Community Facilities District may, or may have an Independent Financial Consultant determine (i) the amount remaining in the City Facilities



Account, (ii) the amount of EMWD Facilities funded consistent with the Mitigation Agreement, (iii) whether an amount equal to EMWD Facilities has not been funded, and (iv) whether there are additional EMWD Facilities to which such moneys may be disbursed. If there is an amount for EMWD Facilities which has not been funded and there are EMWD Facilities for which such funds may be disbursed, the funds from the City Facilities Account may be transferred to the EMWD Facilities Account, provided that such transfer shall not result in the EMWD Facilities Account having been funded in an aggregate amount greater than the amounts which may be funded for EMWD Facilities under the Mitigation Agreement, in which case the amount transferred to the EMWD Facilities Account shall be determined by the School District in accordance with the Mitigation Agreement and the remainder shall be transferred to the Residual School Facilities Fund.

(c) Notwithstanding anything in the Fiscal Agent Agreement to the contrary, if on the date which is the day preceding the three year anniversary of the Closing Date, any funds remain on deposit in the Construction Fund, the Fiscal Agent shall immediately invest such amounts at the direction of the Authorized Representative in Tax-Exempt Permitted Investments or shall restrict the Yield on such amounts such that the Yield on such amounts is not in excess of the Yield on the Bonds, unless in the opinion of Bond Counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

All investment earnings on amounts in the Costs of Issuance Account shall be retained therein. Amounts in the accounts of the Construction Fund are subject to additional investment limitations set forth in the Fiscal Agent Agreement.

#### **Rebate Fund.**

(a) The Fiscal Agent shall at such time as funds are to be deposited therein establish and maintain a fund separate from any other fund established and maintained under the Fiscal Agent Agreement designated as the Rebate Fund. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Fiscal Agent, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. Neither the Community Facilities District nor the Owner of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Fiscal Agent Agreement and by the Tax Certificate. The Fiscal Agent shall be deemed conclusively to have complied with such provisions if it follows the directions of the Community Facilities District including supplying all necessary information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Community Facilities District with the terms of the Tax Certificate. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the Community Facilities District's calculations.

(b) Upon the Community Facilities District's written direction, an amount equal to the Rebate Requirement shall be deposited to the Rebate Fund by the Fiscal Agent from balances in the following funds and accounts and in the following order of priority: (i) from the Special Tax Fund; (ii) from the School Facilities Account of the Construction Fund; and (iii) from the Reserve Fund (whether or not such withdrawal will cause the Reserve Fund to be below the Reserve Requirement), so that the balance of the Rebate Fund after such deposit shall equal the Rebate Requirement for the Bond Year (as such term is defined in the Tax Certificate and not as such term is defined in the Fiscal Agent Agreement) calculated with respect to the most recent Bond Year (as defined in the Tax Certificate). Computations of the Rebate

Requirement shall be furnished by or on behalf of the Community Facilities District in accordance with the Tax Certificate.

(c) The Fiscal Agent shall have no obligation to rebate any amounts required to be rebated pursuant to the Fiscal Agent Agreement, other than from moneys held in the funds and accounts created under the Fiscal Agent Agreement or from other moneys provided to it by the Community Facilities District.

(d) The Fiscal Agent shall invest all amounts held in the Rebate Fund at the written direction of the Community Facilities District in Federal Securities, subject to the restrictions set forth in the Tax Certificate. The Fiscal Agent shall retain in the Rebate Fund all earnings (calculated by taking into account net gains or losses on sales or exchanges and taking into account amortized discount or premium as a gain or loss, respectively) on investments held in the Rebate Fund. Money shall not be transferred from the Rebate Fund except as provided in paragraph (e) below.

(e) Upon receipt of the Community Facilities District's written directions, the Fiscal Agent shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if on the first day of any Bond Year the amount credited to the Rebate Fund exceeds the Rebate Requirement, if the Community Facilities District so directs, the Fiscal Agent will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Community Facilities District's written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement shall be withdrawn and remitted to the Community Facilities District.

(f) Notwithstanding any other provision of the Fiscal Agent Agreement, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of the Fiscal Agent Agreement and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

#### **Residual School Facilities Fund.**

(a) Moneys in the Residual School Facilities Fund may be used by the Community Facilities District for acquisition and/or construction of the Project school facilities; to make deposits to the Rebate Fund under the Fiscal Agent Agreement for the purposes of paying rebatable arbitrage as and when such is due in accordance with the Tax Certificate and the Regulations, or, at the option of the Community Facilities District, for the optional redemption of any of the Bonds under the Fiscal Agent Agreement. Moneys deposited into, or held within, the Residual School Facilities Fund are not pledged to the payment of principal, interest, or premiums on the Bonds.

(b) The Residual School Facilities Fund shall be funded from surplus special taxes transferred to the Residual School Facilities Fund from the Special Tax Fund pursuant to the Fiscal Agent Agreement.

(c) Disbursements from the Residual School Facilities Fund for expenditures on the Project school facilities shall be made by the Fiscal Agent upon receipt of an Authorized Representative's Certificate in substantially the form attached to the Fiscal Agent Agreement as Exhibit B.

(d) Moneys in the Residual School Facilities Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from such investment and deposit shall remain therein and be applied in the manner provided in subsections (a), (b) and (c) above.

**Investments.** Moneys held in any of the funds and accounts under the Fiscal Agent Agreement shall be invested at the written direction of the Authorized Representative only in Permitted Investments which shall be deemed at all times to be a part of such funds and accounts.

Permitted Investments may be purchased at such prices as may be directed by the Authorized Representative. All Permitted Investments shall be acquired subject to the limitations set forth in the Fiscal Agent Agreement, the limitations as to maturities set forth in the Fiscal Agent Agreement and such additional limitations or requirements consistent with the foregoing as may be established by the Authorized Representative.

Moneys in all funds and accounts except for the Reserve Fund and the Rebate Fund shall be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Fiscal Agent for the purposes specified in the Fiscal Agent Agreement. Moneys in the Reserve Fund shall be invested in Permitted Investments, maturing in such amounts on the Business Day preceding the next succeeding Interest Payment Dates so that moneys will be available in the Reserve Fund in accordance with the provisions of the Fiscal Agent Agreement to make the principal (including Sinking Payments) and interest payments on the Bonds when due in the event that the moneys in the Bond Fund are insufficient therefor or in the event that the moneys in the Redemption Fund are insufficient to make a mandatory sinking payment redemption payment; *provided, however*, that if such investments may be tendered or redeemed without premium on the Business Day prior to each Interest Payment Date, 100% of the amount of the Reserve Fund may be invested in such tenderable or redeemable investments of any maturity on or prior to maturity of the Bonds. Permitted Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Permitted Investments for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Fiscal Agent Agreement, with the exception of the Special Tax Fund and the Rebate Fund, shall, at the direction of the Authorized Representative and upon receipt by the Fiscal Agent, be deposited to the following funds and accounts in the order of priority as follows: (i) in the Construction Fund until Completion of the Project, and (ii) in the Special Tax Fund; *provided, however*, that earnings on funds in the Reserve Fund shall be retained therein to the extent needed to bring the balance therein to the Reserve Requirement. All interest, profits and other income received from the investment of moneys in the Special Tax Fund shall, upon receipt by the Fiscal Agent, be retained in the Special Tax Fund.

Notwithstanding anything to the contrary contained in the Fiscal Agent Agreement, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund or account for the credit of which such Permitted Investment was acquired.

For the purpose of determining the amount in any fund or account other than the Reserve Fund, all Permitted Investments credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition). Amounts in the Reserve Fund shall be valued at their Fair Market Value at least semi-annually (or more frequently as may be requested by the Authorized Representative). Notwithstanding anything in the Fiscal Agent Agreement, in making any valuations, the Fiscal Agent may utilize and rely upon such securities pricing services as may be available to it, including those within its accounting system.

The Fiscal Agent may act as principal or agent in the making or disposing of any investment and may invest through or from its own bond department or trust investments department or its parent's or affiliates' bond department or trust investments department. The Fiscal Agent may sell at the best market price obtainable, or present for redemption, any Permitted Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and, subject to the provisions of the Fiscal Agent Agreement, the Fiscal Agent shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the Fiscal Agent may commingle the funds and accounts established under the Fiscal Agent Agreement, but shall account for each separately. Any Permitted Investments that are registerable securities shall be registered in the name of the Fiscal Agent.

## COVENANTS AND WARRANTY

**Warranty.** The Community Facilities District shall preserve and protect the security of the Bonds and the rights of the Owners and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the Community Facilities District, the Bonds shall be incontestable by the Community Facilities District.

**Covenants.** So long as any of the Bonds are Outstanding and unpaid, the Community Facilities District makes the following covenants with the Bondowners under the provisions of the Act and the Fiscal Agent Agreement (to be performed by the Community Facilities District or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Bonds and tend to make them more marketable; *provided, however*, that said covenants do not require the Community Facilities District to expend any funds or moneys other than the Special Taxes, including amounts, if any, received by the Community Facilities District and available for such purposes pursuant to foreclosure proceedings to enforce the payment of Special Taxes:

(a) Punctual Payment; Against Encumbrances. The CFD covenants that it will receive all Gross Taxes in trust and will, consistent with the Fiscal Agent Agreement, deposit the Gross Taxes with the Fiscal Agent, and the Community Facilities District shall have no beneficial right or interest in the amounts so deposited except as provided by the Fiscal Agent Agreement. All such Gross Taxes, whether received by the Community Facilities District in trust or deposited with the Fiscal Agent, all as provided in the Fiscal Agent Agreement, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Fiscal Agent Agreement, and shall be accounted for separately and apart from all other money, funds, accounts, or other resources of the Community Facilities District.

The Community Facilities District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued under the Fiscal Agent Agreement, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with the Fiscal Agent Agreement to the extent Net Special Taxes and interest earnings transferred to the Special Tax Fund are available therefor, and that the payments into the Special Tax Fund, the Bond Fund, the Redemption Fund, the Reserve Fund and the Administrative Expense Fund will be made, all in strict conformity with the terms of the Bonds and the Fiscal Agent Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and all Supplements and of the Bonds and Additional Bonds issued under the Fiscal Agent Agreement. If at any time the balance in the Special Tax Fund and the Reserve Fund is sufficient to redeem all Outstanding Bonds pursuant to the Fiscal Agent Agreement, the Authorized Representative may

direct the Fiscal Agent to effect such redemption on the earliest date on which all Outstanding Bonds may be redeemed.

The CFD will not mortgage or otherwise encumber, pledge, or place any charge upon any of the Gross Taxes, and will not issue any obligation or security superior to or on a parity with the Bonds, payable in whole or in part from the Net Special Taxes except as provided in and in accordance with the Fiscal Agent Agreement.

(b) Levy of Special Tax. Commencing with Fiscal Year 2025-26, the Governing Board of the School District, on behalf of the parcels within Improvement Area No. 2 of the Community Facilities District, shall levy the Special Tax in an amount which, together with other available amounts on deposit with the Fiscal Agent, is sufficient to pay the principal of and interest on the Bonds as provided in the proceedings and the Administrative Expenses due or coming due, plus the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement or to provide for a reasonably projected delinquency in the Fiscal Year being levied, so long as any Bonds relating to the Community Facilities District are Outstanding; provided, that the amount of the Special Tax shall not exceed the maximum amounts specified in the Ordinance.

The CFD shall comply with all requirements of the Act so as to assure the timely collection of Special Taxes within Improvement Area No. 2, including without limitation, the enforcement of delinquent Special Taxes as provided in the Fiscal Agent Agreement. The Special Taxes are to be payable and collected in the same manner and at the same time and in the same installment as ordinary *ad valorem* property taxes on real property, and, except as provided in the Fiscal Agent Agreement and in the Act, will have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest and the same procedures, sale and lien priority in case of delinquency as is provided for *ad valorem* taxes on real property; provided the Community Facilities District may provide for direct collection of the Special Taxes in certain circumstances.

(c) Commence Foreclosure Proceedings. Pursuant to Section 53356.1 of the Act, the Community Facilities District covenants in the Fiscal Agent Agreement with and for the benefit of the Owners that, on or about July 15 of each Fiscal Year (or as reasonably practicable thereafter as fiscal year end collection information is available from the County), the Community Facilities District will review or cause to be reviewed, the public records of the County in connection with the Special Tax within Improvement Area No. 2 of the Community Facilities District levied in the Fiscal Year ending prior to such July to determine the amount of such Special Tax actually collected in such Fiscal Year.

*Individual Delinquencies.* If the Community Facilities District determines that any single parcel subject to the Special Tax in Improvement Area No. 2 of the Community Facilities District is delinquent in the payment of all or a portion of five semi-annual installments of Special Taxes of the Community Facilities District, the Community Facilities District shall, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. If a delinquency remains uncured, the Community Facilities District shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 120 days after such determination against any parcel for which a notice of delinquency was given pursuant to the Fiscal Agent Agreement and for which such Special Taxes remain delinquent, to the extent permissible under applicable law.

*Aggregate Delinquencies.* With respect to aggregate delinquencies throughout Improvement Area No. 2 of the Community Facilities District, if the Community Facilities District

determines (i) that the total amount of delinquent Special Taxes for the prior Fiscal Year, including the total of delinquencies under Individual Delinquencies above, exceeds 5% of the total Special Taxes due and payable for the prior Fiscal Year and (ii) the Reserve Fund is less than the Reserve Requirement as a result of a draw on such Reserve Fund, then the Community Facilities District shall, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The CFD shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 120 days after such determination against any parcel in Improvement Area No. 2 of the Community Facilities District for which a notice of delinquency was given pursuant to the Fiscal Agent Agreement and for which such Special Taxes remain delinquent, to the extent permissible under applicable law; provided, however, that notwithstanding the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel in relation to the cost of appropriate foreclosure proceedings may be such that the costs do not warrant the foreclosure proceedings costs. In such cases, foreclosure proceedings may be delayed by the Community Facilities District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost. The Community Facilities District shall notify the Fiscal Agent on or about 75 days after the determinations of delinquencies as set forth in the second sentence of this paragraph of any delinquency potentially requiring the commencement of a foreclosure action pursuant to the Fiscal Agent Agreement and counsel to the Community Facilities District shall commence, or cause to be commenced, such proceedings not later than 120 days following the determination referenced in the second sentence of this paragraph.

*Limiting Provisions.* Notwithstanding the foregoing, however, the Community Facilities District shall not be required to order, or take action upon, the commencement of foreclosure proceedings described above with respect to individual delinquencies or aggregate delinquencies, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement and no draw has been made on the Reserve Fund, which has not been restored, such that the Reserve Fund shall be funded to at least the Reserve Requirement. The foregoing sentence shall not affect the requirement(s) for notices of delinquencies pursuant to the Fiscal Agent Agreement with respect to individual delinquencies.

The Community Facilities District reserves the right to elect to accept payment from a property owner of at least the enrolled amount of the Special Taxes for a parcel(s) but less than the full amount of the penalties, interest, costs, and attorneys' fees related to the Special Tax delinquency for such parcel(s). **The Bondowners shall be deemed to have consented to the foregoing reserved right of the Community Facilities District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary. The Bondowners, by their acceptance of the Bonds, consent to such payment acceptance for such lesser amounts.**

Further, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary, in connection with any judicial foreclosure proceeding related to delinquent Special Taxes, the Community Facilities District or the Fiscal Agent, acting on behalf of the Community Facilities District, is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act or such lesser amount as determined in the Fiscal Agent Agreement or otherwise under Section 53356.6 of the Act.

The Community Facilities District may permit, in its sole and absolute discretion, property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bondowners. **The Bondowners, by their acceptance of the Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the Community Facilities District and the School District, and their respective officers and agents, from any liability in connection therewith.** If such sale for lesser amounts would result in less than full payment of principal of and interest due and owing on the Bonds, the Community Facilities District will use its best efforts to seek approval of the Bondowners.

The CFD is expressly authorized to include costs and attorneys' fees related to foreclosure of delinquent Special Taxes as Administrative Expenses pursuant to the Fiscal Agent Agreement.

(d) Payment of Claims. To the extent moneys are available therefor in the Construction Fund, the Community Facilities District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon any portion of the Project owned by the Community Facilities District or upon the Gross Taxes or any part thereof, or upon any funds in the hands of the Fiscal Agent, or which might impair the security of the Bonds; provided that nothing contained in the Fiscal Agent Agreement shall require the Community Facilities District to make any such payments so long as the Community Facilities District in good faith shall contest the validity of any such claims.

(e) Extension of Payment of Bonds. The Community Facilities District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefit of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Community Facilities District to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

(f) Against Encumbrances. The Community Facilities District shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Special Taxes and other assets pledged or assigned under the Fiscal Agent Agreement while any of the Bonds are Outstanding, except the pledge and assignment created by the Fiscal Agent Agreement. Subject to this limitation, the Community Facilities District expressly reserves the right to enter into one or more other fiscal agent agreements for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

(g) Power to Issue Bonds and Make Pledge and Assignment. The Community Facilities District is duly authorized pursuant to law to issue the Bonds of each Series and to enter into the Fiscal Agent Agreement and to pledge and assign the Special Taxes and other assets purported to be pledged and assigned, respectively, under the Fiscal Agent Agreement in the manner and to the extent provided in the Fiscal Agent Agreement. The Bonds of each Series and the provisions of the Fiscal Agent Agreement are and will be the legal, valid and binding special obligations of the Community Facilities District in accordance with their terms, and the Community Facilities District and the Fiscal Agent shall at all times, subject to the provisions of Article VII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Special Taxes with respect to Improvement Area No. 2 and other assets and all the rights of the Bond Owners under the Fiscal Agent Agreement against all claims and demands of all persons whomsoever.

(h) Books and Accounts. The CFD will keep proper books of records and accounts, separate from all other records and accounts of the Community Facilities District, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or of the Owners of not less than ten percent (10%) of the principal amount of the Bonds or their representatives authorized in writing.

(i) Tax Covenants.

(1) The Community Facilities District covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The Community Facilities District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Community Facilities District, or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code, or “federally guaranteed” within the meaning of Section 149(b) of the Code or classified as a “private activity bond” under Section 141 of the Code to the extent applicable to the Bonds. To that end, the Community Facilities District will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. In the event that at any time the Community Facilities District is of the opinion that for purposes of the Fiscal Agent Agreement it is necessary to restrict or limit the yield on the investment of any moneys held by the Fiscal Agent under the Fiscal Agent Agreement, the Community Facilities District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action(s) as directed in such instructions.

(2) Without limiting the generality of the foregoing, the Community Facilities District agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed, or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The Community Facilities District specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined above the Rebate Amounts, as described in the Tax Certificate. The Fiscal Agent shall comply with all instructions of the Community Facilities District given in accordance with the Tax Certificate.

(3) Notwithstanding any provisions of the Fiscal Agent Agreement, if the Community Facilities District shall provide to the Fiscal Agent an opinion of nationally recognized bond counsel that any specified action required under the Fiscal Agent Agreement is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the Fiscal Agent may conclusively rely on such opinion in complying with the requirements of the Fiscal Agent Agreement, and the covenants thereunder shall be deemed to be modified to that extent notwithstanding the provisions of the Fiscal Agent Agreement.

(j) Completion of Project. The Community Facilities District will diligently carry out and continue to completion with all practical dispatch the acquisition and construction of the Project in a sound and economical manner. The Project to be acquired or constructed may be amended as provided in the Act, but no amendment may be made which would substantially impair the security of the Bonds or the rights of the Owners. The Community Facilities District will maintain the Project, or cause it to be



maintained, in accordance with the customary and reasonable maintenance and repair practices for such facilities.

(k) Modification of Maximum Authorized Special Tax. The CFD covenants that no modification of the maximum authorized Special Tax for the Community Facilities District shall be approved by the Community Facilities District which would prohibit the Community Facilities District from levying the Special Tax on Developed Property within the Community Facilities District in any Fiscal Year at such a rate as could generate Special Taxes within the Community Facilities District in each Fiscal Year at least equal to 110% of Annual Debt Service with respect to such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such fiscal year for the Bonds.

The Community Facilities District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the maximum authorized Special Taxes, it will, to the extent of available Community Facilities District funds therefor, commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

(l) Protection of Security and Rights of Owners. The Community Facilities District will preserve and protect the security of the Community Facilities District and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the Community Facilities District, the Bonds shall be incontestable by the Community Facilities District.

(m) Exemption of Land from the Special Tax. Notwithstanding the provisions for exemption of land contained in the Rate and Method of Apportionment, the Community Facilities District covenants (i) not to exempt land in Improvement Area No. 2 from the Special Tax in excess of the amount of land which may be exempted pursuant to the Rate and Method of Apportionment and (ii) not to exempt land in Improvement Area No. 2 from the Special Tax if the total amount of land being exempted would prohibit the Community Facilities District from levying the Special Tax revenues in each Fiscal Year at such rate as could generate Maximum Special Tax revenues at least equal to 110% of Annual Debt Service in such Fiscal Year plus a reasonable estimate of Administrative Expenses for such fiscal year.

(n) Continuing Disclosure for the 2025 Bonds. Pursuant to the Fiscal Agent Agreement, the Community Facilities District covenants and agrees that it will comply with and carry out all of its obligations under the Community Facilities District Continuing Disclosure Agreement. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the Community Facilities District to comply with its obligations under the Community Facilities District Continuing Disclosure Agreement shall not be considered an event of default under the Fiscal Agent Agreement, and the sole remedy, in the event of any failure of the Community Facilities District to comply with the Community Facilities District Continuing Disclosure Agreement shall be an action to compel performance. Upon receipt of indemnification to its satisfaction, the Fiscal Agent shall at the request of any Participating Underwriter (as defined in the Community Facilities District Continuing Disclosure Agreement), or the Owners of at least 25% in aggregate principal amount of Outstanding 2025 Bonds (but only to the extent funds in an amount satisfactory to the Fiscal Agent have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Fiscal Agent whatsoever, including without limitation fees and expenses of its attorneys) or any Bondowner or Beneficial Owner of the 2025 Bonds take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District to comply with its obligations under the Fiscal Agent Agreement. For purposes of this section, “**Beneficial Owners**” means

any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2025 Bonds (including persons holding 2025 Bonds through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

(o) Compliance with Covenants. The Community Facilities District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the maximum rates of Special Tax, the Community Facilities District shall, to the extent permitted by law, commence and pursue reasonable legal action to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

(p) Waiver of Delinquency and Redemption Penalties; Amnesty Program. The Community Facilities District will not exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds.

(q) Tender of Bonds. The Community Facilities District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.5 of the California Government Code in any manner which would be inconsistent with the interests of the Owners and, in particular, will not permit the tender of Bonds in full or partial payment of Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the Community Facilities District having insufficient Net Special Taxes to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

## **AMENDMENTS TO FISCAL AGENT AGREEMENT**

**Supplements Not Requiring Bondowner Consent.** The Community Facilities District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplements to the Fiscal Agent Agreement for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Fiscal Agent Agreement which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Fiscal Agent Agreement or in any resolution or order of the Community Facilities District relating to the Fiscal Agent Agreement, provided that such action shall not adversely affect the interests of the Bondowners;

(b) to add to the covenants and agreements of, and the limitations and the restrictions upon, the Community Facilities District contained in the Fiscal Agent Agreement, other covenants, agreements, limitations, and restrictions to be observed by the Community Facilities District which are not contrary to or inconsistent with the Fiscal Agent Agreement as theretofore in effect;

(c) to modify, amend or supplement the Fiscal Agent Agreement in such manner as to permit the qualification of the Fiscal Agent Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(d) to modify, alter, amend, or supplement the Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners; or

(e) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

**Supplements Requiring Bondowner Consent.** Exclusive of the Supplements described in the preceding section, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve such Supplements as shall be deemed necessary or desirable by the Community Facilities District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Fiscal Agent Agreement; *provided, however*, that nothing in the Fiscal Agent Agreement shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplement, without the consent of the Owners of all Bonds then Outstanding.

If at any time the Community Facilities District shall desire to enter into a Supplement, which pursuant to the terms of this Section shall require the consent of the Bondowners, the Community Facilities District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplement. The Fiscal Agent shall, at the expense of the Community Facilities District, cause notice of the proposed Supplement (or a summary thereof) to be mailed, by first class mail postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the office of the Authorized Representative for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplement when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding as required by this section. Whenever at any time within one year after the date of the first mailing of such notice, the Fiscal Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplement described in such notice, and shall specifically consent to and approve the Supplement substantially in the form of the copy referred to in such notice as on file with the School District's Superintendent, such proposed Supplement, when duly entered into by the Community Facilities District and the Fiscal Agent, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds have consented to the adoption of any Supplement, Bonds which are known to the Fiscal Agent to be owned by the Community Facilities District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the Community Facilities District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the execution and delivery by the Community Facilities District and the Fiscal Agent of any Supplement and the receipt of consent to any such Supplement from the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding in instances where such consent is required pursuant to the provisions of this Section, the Fiscal Agent Agreement shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Fiscal Agent Agreement of the Community Facilities District, the Fiscal Agent and all Owners of Bonds then

Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

**Notation of Bonds; Delivery of Amended Bonds.** After the effective date of any action taken as provided in the Fiscal Agent Agreement, the Community Facilities District may determine that the Bonds may bear a notation, by endorsement in form approved by the Community Facilities District, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds. If the Community Facilities District shall so determine, new Bonds so modified as, in the opinion of the Community Facilities District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

## **FISCAL AGENT**

**Fiscal Agent.** U.S. Bank Trust Company, National Association, having a corporate trust office in Los Angeles, California, is pursuant to the Fiscal Agent Agreement appointed Fiscal Agent for the Community Facilities District for the purpose of receiving all money which the Community Facilities District is required to deposit with the Fiscal Agent under the Fiscal Agent Agreement and to allocate, use, and apply the same as provided in the Fiscal Agent Agreement.

The Fiscal Agent is pursuant to the Fiscal Agent Agreement authorized to and shall mail by first class mail, postage prepaid, interest payments to the Bondowners, select Bonds for redemption, and maintain the Bond Register. The Fiscal Agent pursuant to the Fiscal Agent Agreement is authorized to pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or upon redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in the Fiscal Agent Agreement, and to provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in the Fiscal Agent Agreement. The Fiscal Agent shall keep accurate records of all funds administered by it and all Bonds paid and discharged by it.

The Fiscal Agent pursuant to the Fiscal Agent Agreement is authorized to pay the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent shall cancel all Bonds upon payment thereof or upon the surrender thereof by the Community Facilities District, pursuant to the Fiscal Agent Agreement. The Fiscal Agent shall keep accurate records of all Bonds paid and discharged and canceled by it.

Detailed records with respect to each and every Nonpurpose Investment attributable to Gross Proceeds of the Bonds must be maintained by the Fiscal Agent including: (i) purchase date, (ii) purchase price, (iii) any accrued interest paid, (iv) face amount, (v) coupon rate, (vi) periodicity of interest payments, (vii) disposition price, (viii) any accrued interest received, and (ix) disposition date. In the event a Nonpurpose Investment is subject to a receipt of bids, the Community Facilities District shall maintain a record of all information establishing Fair Market Value on the date such investment became a Nonpurpose Investment. Such detailed recordkeeping is required for the calculation of the Rebate Requirement which, in part, will require a determination of the difference between the actual aggregate earnings of all

Nonpurpose Investments and the amount of such earnings assuming a rate of return equal to the Yield on the Bonds.

The Community Facilities District shall from time to time, subject to any agreement between the Community Facilities District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its powers and duties under the Fiscal Agent Agreement, and indemnify and save the Fiscal Agent harmless against costs, claims, expenses and liabilities, including fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties the Fiscal Agent Agreement, which indemnity shall survive discharge of the Bonds, or removal or resignation of the Fiscal Agent. All amounts owed by the Community Facilities District to the Fiscal Agent shall constitute Administrative Expenses.

**Removal of Fiscal Agent.** The Community Facilities District may at any time, in the exercise of its sole discretion, remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company doing business and having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority and provided that no event of default under the Fiscal Agent Agreement shall then be in existence. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Community Facilities District shall notify the Bondowners in writing of any such removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent and notice being sent to the Bondowners of the successor Fiscal Agent's identity and address as provided in Section 7.03 hereof.

**Resignation of Fiscal Agent.** The Fiscal Agent may at any time resign by giving written notice to the Community Facilities District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the Bond Register. Upon receiving such notice of resignation, the Community Facilities District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent, and notice to the Bondowners of the Fiscal Agent's identity and address.

**Liability of Fiscal Agent.** The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds shall be taken as statements, promises, covenants and agreements of the Community Facilities District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds or any document in connection with the sale of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations assigned to or imposed upon the Fiscal Agent herein or in the Bonds or in the certificate of authentication. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the Bonds for value. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

The Fiscal Agent shall have no duty or obligation whatsoever to enforce the collection of funds to be deposited with it hereunder, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the Community Facilities District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance therewith.

No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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

**Successor Fiscal Agent.** Any corporation, association or agency into which the Fiscal Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor fiscal agent under the Fiscal Agent Agreement and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Fiscal Agent Agreement, anything in the Fiscal Agent Agreement to the contrary notwithstanding.

## EVENTS OF DEFAULT; REMEDIES

**Events of Default.** Any one or more of the following events shall constitute an “event of default”:

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or upon redemption thereof;

(b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) Default by the Community Facilities District in the observance of any of the other covenants, agreements or conditions on its part in the Fiscal Agent Agreement or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Community Facilities District by the Fiscal Agent; *provided, however*, that if in the reasonable opinion of the Community Facilities District the default stated in the notice can be corrected, but not within such sixty (60) day period, such default shall not constitute an Event of Default under the Fiscal Agent Agreement if the Community Facilities District shall commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

**Remedies of Owners.** Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the Community Facilities District and any of the members, officers, and employees of the Community Facilities District, and to compel the Community Facilities District or any such members, officers, or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Fiscal Agent Agreement;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the Community Facilities District and its members, officers, and employees to account as the trustee of an express trust.

Nothing in any provision of the Fiscal Agent Agreement, or in the Bonds, shall affect or impair the obligation of the Community Facilities District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity or upon mandatory redemption, as provided in the Fiscal Agent Agreement, out of the Net Special Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Fiscal Agent Agreement. The Bonds shall not be subject to acceleration.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by the Fiscal

Agent Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the Community Facilities District and the Owners shall be restored to their former positions, rights, and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy in the Fiscal Agent Agreement conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Fiscal Agent Agreement or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

## **DEFEASANCE**

**Defeasance.** If the Community Facilities District shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of any Outstanding Bonds the interest and premium, if any, due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Fiscal Agent Agreement, then the Owners of such Bonds shall cease to be entitled to the pledge of Net Special Taxes, and all covenants, agreements and other obligations of the Community Facilities District to the Owners of such Bonds under the Fiscal Agent Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Fiscal Agent shall execute and deliver to the Community Facilities District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the Community Facilities District after the payment of any amounts due the Fiscal Agent hereunder all money or securities held by them pursuant to the Fiscal Agent Agreement which are not required for the payment of the interest due on, and the principal of, such Bonds.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed in the Fiscal Agent Agreement if such Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest with respect to such Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund, the Bond Fund and the Redemption Fund, is fully sufficient to pay the principal of, premium and interest on all Bonds Outstanding as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, in trust, Federal Securities in such amount as the Authorized Representative shall determine will, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund, the Bond Fund and the Redemption Fund, together with the interest to accrue thereon without further investment, be fully sufficient to pay and discharge the principal of, premium, if any, and interest on all Bonds Outstanding as and when the same shall become due and payable; then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the Community Facilities District under the Fiscal Agent Agreement with respect to all Outstanding Bonds shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid, all sums due thereon. For the purpose of this Section 9.01, Federal Securities shall mean and include only such securities as are described in the



definition of “Federal Securities” in Section 1.01 which: (x) shall not be subject to redemption prior to their maturity other than at the option of the holder thereof unless the moneys to be available from the redemption of such securities on the earliest date on which such securities are subject to redemption, other than at the option of the holder thereof, shall be at least equal to the amount of money expected to be derived in connection with such securities in determining that the provisions of clause (c) of Section 9.01 have been satisfied; and (y) which are then permitted to be applied as provided in subsection (c) of Section 9.01 under applicable law. Any money or securities deposited with the Fiscal Agent to defease the Bonds shall be accompanied by a certificate of a certified public accountant confirming the accuracy of the calculations establishing the sufficiency of such deposit, and an opinion of Bond Counsel stating that the deposit of such moneys or securities to defease the Bonds will not adversely affect the exclusion from gross income, for federal income tax purposes, of interest on the Bonds. Any funds held by the Fiscal Agent at the time of a payment or defeasance of the Bonds, which are not required for such purpose, or for the payment of amounts due to the Fiscal Agent hereunder shall be paid over to the Community Facilities District and may be used by the Community Facilities District for any lawful purpose.

## APPENDIX D

### FORM OF COMMUNITY FACILITIES DISTRICT CONTINUING DISCLOSURE AGREEMENT

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2021-1  
OF THE HEMET UNIFIED SCHOOL DISTRICT  
IMPROVEMENT AREA NO. 2  
2025 SPECIAL TAX BONDS**

This CONTINUING DISCLOSURE AGREEMENT (the “**Disclosure Agreement**”) is executed and entered into as of March 1, 2025, by and between Community Facilities District No. 2021-1 of the Hemet Unified School District (the “**Community Facilities District**”) and Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices (“**ABP**”), in its capacity as dissemination agent (the “**Dissemination Agent**”), in connection with the issuance of \$ \_\_\_\_\_ aggregate principal amount of Community Facilities District No. 2021-1 of the Hemet Unified School District (Improvement Area No. 2) 2025 Special Tax Bonds (the “**Bonds**”);

#### W I T N E S S E T H :

**WHEREAS**, pursuant to the Fiscal Agent Agreement, dated as of March 1, 2025 (the “**Fiscal Agent Agreement**”), by and between the Community Facilities District and U.S. Bank Trust Company, National Association (the “**Fiscal Agent**”), the Community Facilities District has issued the Bonds in the aggregate principal amount set forth above; and

**WHEREAS**, the Bonds are payable from and secured by special taxes levied on certain property within Improvement Area No. 2.

**NOW, THEREFORE**, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Community Facilities District for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with Securities and Exchange Commission (“**S.E.C.**”) Rule 15c2-12(b)(5) (as defined below).

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

“Annual Report” shall mean any Annual Report provided by the Community Facilities District pursuant to, and described in, Sections 3 and 4 of this Disclosure Agreement.

“Annual Report Date” shall mean April 1 next following the end of the Community Facilities District’s fiscal year, which fiscal year end, as of the date of this Disclosure Agreement, is June 30.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Community Facilities District” shall mean Community Facilities District No. 2021-1 of the Hemet Unified School District.

“Disclosure Representative” shall mean the Deputy Superintendent, Business Services, or his designee, or such other officer or employee as the Community Facilities District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean ABP, or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Community Facilities District and the Fiscal Agent a written acceptance of such designation.

“EMMA System” shall mean the Electronic Municipal Market Access System of the MSRB (as defined below) or such other electronic system designated by the MSRB or the S.E.C. for compliance with the Rule.

“Financial Obligation” means a: (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of a clause (i) debt obligation or of a clause (ii) a derivative instrument described above; provided, however, that the term “Financial Obligation” shall not include “municipal securities” (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a “final official statement” (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Improvement Area No. 2” means Improvement Area No. 2 of the Community Facilities District.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Obligated Person” means any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement (e.g., the Community Facilities District as to the Bonds) to support payment of all, or part of the obligations of the municipal securities to be sold (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” shall mean the Official Statement, dated \_\_\_\_\_, 2025, relating to the Bonds.

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Fiscal Agent.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“School District” shall mean the Hemet Unified School District.

“State” shall mean the State of California.

### Section 3. Provision of Annual Reports.

(a) The Community Facilities District shall, or, shall cause the Dissemination Agent to provide, not later than the Annual Report Date, commencing April 1, 2026, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB, and to the Fiscal Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the Annual Report Date, the Community Facilities District shall provide the Annual Report to the Dissemination Agent (if other than the Community Facilities District) and the Fiscal Agent. 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 Agreement; *provided* that the audited financial statements (if any are prepared) of the Community Facilities District may be submitted separately from the balance of the Annual Report and later than the Annual Report Date if they are not available by that date. For purposes of this section and Section 4(a), the audited financial statements of the School District shall not be deemed to be the audited financial statements of the Community Facilities District unless such audited financial statements contain specific information as to the Community Facilities District, its revenues, expenses and account balances. If the Community Facilities District's fiscal year changes, the Community Facilities District shall give notice of such change in the same manner as for a Listed Event under Section 5(f). If the Dissemination Agent has not received a copy of the Annual Report on or before 15 business days prior to the Annual Report Date in any year, the Dissemination Agent shall notify the Community Facilities District and the Fiscal Agent of such failure to receive the applicable Annual Report. The Community Facilities District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Community Facilities District and shall have no duty or obligation to review such Annual Report.

(b) If the Community Facilities District is unable to provide to the MSRB through the EMMA System, and to the Fiscal Agent, an Annual Report by the Annual Report Date, the Community Facilities District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice through the EMMA System, if any.

- (c) With respect to each Annual Report, the Dissemination Agent shall:
  - (i) determine each year prior to the Annual Report Date the then applicable rules and electronic filing requirements and format prescribed by the MSRB for the filing of annual continuing disclosure reports;
  - (ii) provide any Annual Report received by it to the MSRB through the EMMA System and to the Fiscal Agent, as provided herein; and
  - (iii) if the Dissemination Agent is other than the Community Facilities District and to the extent it can confirm such filing of an Annual Report, file a report with the Community Facilities District and the Fiscal Agent certifying that an Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

Section 4. Content of Annual Reports. The Community Facilities District's Annual Report shall contain or incorporate by reference the following documents and information:

(a) The Community Facilities District does not currently prepare audited financial statements and it is not anticipated that the Community Facilities District will prepare audited financial statements in the future. If the Community Facilities District will prepare audited financial statements, the Community Facilities District's Annual Report shall contain or incorporate by reference such audited financial statements, if any, of the Community Facilities District, for the most recently completed fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements of the Community Facilities District, are to be prepared, but are not available at the time required for filing, unaudited financial statements of the Community Facilities District, shall be submitted with the Annual Report, and audited financial statements shall be submitted once available. As stated in Section 3(a), the financial statements of the School District shall not be deemed to be the financial statements of the Community Facilities District, unless such financial statements contain specific information concerning the Community Facilities District, its revenues, expenses and account balances. If the School District's audited financial statements contain specific information as to the Community Facilities District, its revenues, expenses and account balances, the Community Facilities District's Annual Report shall contain or incorporate by reference such School District's audited financial statements and in such event, the School District's audited financial statements may be accompanied by a statement substantially to the following effect:

THE SCHOOL DISTRICT'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES AND EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE COMMUNITY FACILITIES DISTRICT OR THE SCHOOL DISTRICT OTHER THAN NET SPECIAL TAXES ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE COMMUNITY FACILITIES DISTRICT NOR THE SCHOOL

DISTRICT IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES IN PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE SCHOOL DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) The following information regarding the Bonds, and any parity bonds issued by the Community Facilities District:

- (i) Principal amount of Bonds, and/or any refunding bonds issued by the Community Facilities District with respect to Improvement Area No. 2, outstanding as of a date within 45 days preceding the date of the Annual Report;
- (ii) Balance in the Special Tax Fund and the Bond Fund as of a date within 60 days preceding the date of the Annual Report;
- (iii) Balance in the Reserve Fund and a statement of the Reserve Requirement, as of a date within 60 days preceding the date of the Annual Report;
- (iv) While there are funds in the Construction Fund, or any accounts or any subaccounts thereof, the balance in the Construction Fund, and each account or subaccount thereunder, as of a date within 60 days preceding the date of the Annual Report, and of any other fund or account held under the terms of the Fiscal Agent Agreement not referenced in clauses (ii), (iii) or (iv) hereof;
- (v) A table summarizing assessed value-to-burden ratios for the property within Improvement Area No. 2 based on the applicable land use categories under the Rate and Method of Apportionment of Special Tax for Improvement Area No. 2 (the "**Rate and Method**"). The assessed values in such table will be determined by reference to the value of the parcels within Improvement Area No. 2 on which the Special Taxes are levied, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 2 next preceding the Annual Report Date. The value-to-burden values in such table will include all Bonds then outstanding and any refunding bonds in Improvement Area No. 2 and need not include other debt secured by a special tax or assessments levied on parcels within Improvement Area No. 2.
- (vi) Information regarding the amount of the annual Special Taxes levied in Improvement Area No. 2, amount collected, delinquent amounts, prepayments of Special Taxes, if any, and percent delinquent for the most recently completed fiscal year;
- (vii) A land ownership summary listing property owners, if any, responsible for more than 5% of the Special Tax levy as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within Improvement Area No. 2 owned by such

property owners, and the assessed value of such property, as shown on such assessment roll;

- (viii) Concerning parcels within Improvement Area No. 2 delinquent in the payment of Special Taxes to the Community Facilities District as of the immediately preceding November 1 (if applicable), status of foreclosure proceedings, if any, and summary of results of foreclosure sales, if applicable e.g.;

- number of parcels within Improvement Area No. 2 delinquent in payment of Special Taxes,
- total of such delinquency and percentage of delinquency in relation to the total Special Tax levy,
- status of the actions taken by the School District and/or the Community Facilities District related to any foreclosure proceedings upon delinquent properties within Improvement Area No. 2;

- (ix) Identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding November 1, if applicable, plus;

- assessed value of applicable properties, and
- summary of results of foreclosure sales, if available;

- (x) A copy of any report for or concerning the Community Facilities District, with respect to Improvement Area No. 2, as of the immediately preceding October 31, as required under State law; and

- (xi) Any changes to the Rate and Method applicable to Improvement Area No. 2 approved or submitted to the qualified electors with respect to Improvement Area No. 2 for approval prior to the filing of the Annual Report.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Community Facilities 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 for purposes of applicable federal securities laws.

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 Community Facilities District or related public entities, which are available to the public on the MSRB's EMMA System (or equivalent as may then be in place) or filed with the S.E.C. If the document included by reference is a final official statement, it must be available from the MSRB. The Community Facilities District shall clearly identify each such other document so included by reference.

## Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Community Facilities District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner, not in excess of ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of the credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;<sup>(1)</sup>
- (xiii) The consummation of a merger, consolidation or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

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<sup>(1)</sup> For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or



- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(b) The Community Facilities District intends that the words used in Section 5(a)(xv) and 5(a)(xvi), and the definition of Financial Obligation in Section 2, have the same meanings as when they are used in the Rule, as evidenced by S.E.C. Release No. 34-83885, dated August 20, 2018.

(c) The Dissemination Agent shall, within three business days of obtaining actual knowledge of the occurrence of any of the Listed Events under Section 5(a) contact the Disclosure Representative, inform such person of the event, and request that the Community Facilities District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of the Listed Events described under clauses (ii), (iii), (vi), (x), (xi), (xii), (xiii) and (xiv) above shall mean actual knowledge by an officer at the corporate trust office of the Dissemination Agent. The Dissemination Agent shall have no responsibility for determining the materiality of any of the Listed Events. Notwithstanding the foregoing, notice of a Listed Event described in subsection (a)(viii) above need not be given any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Fiscal Agent Agreement.

(d) As soon as practicable, so as to satisfy the requirements of section 5(a), the Community Facilities District shall notify the Dissemination Agent in writing of the occurrence of any of the Listed Events. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f). The Community Facilities District shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the MSRB through the EMMA System.

(e) If the Community Facilities District determines that a Listed Event subject to a materiality requirement referenced in clauses (a)(ii), (vi) (with respect to material notices or determinations with respect to the tax status of the security or other material events affecting the tax status of the security), (vii), (viii) (if the event is a bond call), (x), (xiii), (xiv) or (xv) would not be material under applicable federal securities law, the Community Facilities District shall so notify the Dissemination Agent in writing and instruct

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governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, 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 Obligated Person.

the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Community Facilities District to report the occurrence of a Listed Event, and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file in a timely manner, not in excess of ten business days, so as to satisfy the requirements of Section 5(a), a notice of such occurrence with the MSRB through the EMMA System (or equivalent as may then be in place).

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

Section 7. Termination of Reporting Obligation. All of the Community Facilities District's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the Bonds, (ii) prior redemption of the Bonds or (iii) payment in full of all the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 8. Dissemination Agent. The Community Facilities District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be ABP. The Dissemination Agent may resign by providing thirty days' written notice to the Community Facilities District and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Community Facilities District in a timely manner and in a form suitable for filing.

Section 9. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Community Facilities District, the Fiscal Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the Community Facilities District, so long as such amendment does not adversely affect the rights or obligations of the Fiscal Agent or the Dissemination Agent), and any provision of this Disclosure Agreement 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 owners of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the

Fiscal Agent Agreement with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners 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 Community Facilities 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 with the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(f).

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Community Facilities District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the Community Facilities 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 Agreement, the Community Facilities District shall have no obligation under this Disclosure Agreement 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 Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may, and (at the written direction of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) any owner 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 Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. Neither the Fiscal Agent nor the Dissemination Agent shall have any liability to the owners of the Bonds or any other party for monetary damages or financial liability of any kind whatsoever relating to or arising from this Disclosure Agreement.

Section 12. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. The Dissemination Agent and the Fiscal Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. This Disclosure Agreement does not apply to any other securities issued, or to be issued, by the Community Facilities District. The Dissemination Agent shall have no obligation to make any disclosure concerning the Bonds, Improvement Area No. 2, the Community Facilities District, or any other matter, except as expressly set out herein, provided that no provision of this Disclosure Agreement shall limit the duties or obligations of the Fiscal Agent under the Fiscal Agent Agreement. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. The fact that the Fiscal Agent has or may have any banking, fiduciary or other relationship with the Community Facilities District or any other party, apart from the relationship created by the Fiscal Agent Agreement and this Disclosure Agreement, shall not be construed to mean that the Fiscal Agent has knowledge or notice of any event or condition relating to the Bonds, Improvement Area No.1, or the Community Facilities District, except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the Community Facilities District as to the materiality of any event for purposes of Section 5 hereof. Neither the Fiscal Agent nor the Dissemination Agent makes any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent and the Fiscal Agent shall be paid compensation by the Community Facilities District for their services provided hereunder in accordance with their schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent and the Fiscal Agent in the performance of their duties hereunder. The Community Facilities District's obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 13. Beneficiaries. The Participating Underwriter and the owners and beneficial owners from time to time of the Bonds shall be third-party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Notices. Any notice or communications to or among any of the parties to this Disclosure Agreement shall be given to all of the following and may be given as follows:

If to the Community Facilities District:	Community Facilities District No. 2021-1 of the Hemet Unified School District 1791 West Acacia Avenue Hemet, California 92545 Telephone: (951) 765-5100 ext. 5000 Attention: Deputy Superintendent, Business Services
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If to the Dissemination Agent: Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices  
19900 MacArthur Boulevard, Suite 1100  
Irvine, California 92612  
Telephone: (949) 660-7300  
Telecopier: (949) 474-8773

If to the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated  
2121 Avenue of the Stars, Suite 2150  
Los Angeles, California 90067  
Attention: Public Finance

*provided, however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.*

Section 15. Future Determination of Obligated Persons. In the event the S.E.C. amends, clarifies or supplements the Rule in such a manner that requires any landowner within Improvement Area No. 2 to be an Obligated Person as defined in the Rule, nothing contained herein shall be construed to require the Community Facilities District to meet the continuing disclosure requirements of the Rule with respect to such Obligated Person and nothing in this Disclosure Agreement shall be deemed to obligate the Community Facilities District to disclose information concerning any owner of land within Improvement Area No. 2 except as required as part of the information required to be disclosed by the Community Facilities District pursuant to Section 4 and Section 5 hereof.

Section 16. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 17. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State.

Section 18. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 19. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

**IN WITNESS WHEREOF**, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**HEMET UNIFIED SCHOOL DISTRICT**,  
on behalf of Community Facilities District No. 2021-1  
of the Hemet Unified School District

By:

\_\_\_\_\_  
Authorized Officer

**FIELDMAN, ROLAPP & ASSOCIATES, INC.**  
**DBA APPLIED BEST PRACTICES**, as  
Dissemination Agent

By:

\_\_\_\_\_  
Authorized Officer

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**APPENDIX E**  
**FORM OF OPINION OF BOND COUNSEL**

April \_\_, 2025

Community Facilities District No. 2021-1  
of the Hemet Unified School District  
1791 W. Acacia Avenue  
Hemet, California 92545

**OPINION:**     \$\_\_\_\_\_ Community Facilities District No. 2021-1 of the Hemet Unified School  
District Improvement Area No. 2 2025 Special Tax Bonds

Members of the Governing Board:

We have acted as bond counsel to the Hemet Unified School District (the "School District"), the governing board of which is the legislative body of Community Facilities District No. 2021-1 of the Hemet Unified School District (the "Community Facilities District"), in connection with the issuance by the Community Facilities District 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 Governing Board, acting in its capacity as the legislative body of the Community Facilities District, adopted on February 11, 2025 (the "Resolution"), and a Fiscal Agent Agreement dated as of April 1, 2025 (the "Fiscal Agent Agreement"), between the School District, on behalf of the Community Facilities District, and U.S. Bank Trust Company, 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, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the Community Facilities District contained in the Fiscal Agent Agreement, and on 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 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.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the School District, on behalf of the Community Facilities District, and constitutes a valid and binding obligation of the Community Facilities District, enforceable against the Community Facilities District.

3. 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) issued or to be issued in accordance with the Fiscal Agent Agreement.

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

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Community Facilities District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Community Facilities District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

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. Moreover, our opinions are not a

guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the representations, and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

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## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2025 Bonds, payment of principal of and interest on the 2025 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2025 Bonds, confirmation and transfer of beneficial ownership interests in the 2025 Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2025 Bonds is based solely on information furnished by DTC to the Community Facilities District which the Community Facilities District believes to be reliable, but the Community Facilities District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect 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.*

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2025 Bonds. The 2025 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the 2025 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2025 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on

the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2025 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2025 Bonds, except in the event that use of the book-entry system for the 2025 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of the 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2025 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2025 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2025 Bonds documents. For example, Beneficial Owners of the 2025 Bonds may wish to ascertain that the nominee holding the 2025 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Fiscal Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2025 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Community Facilities District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2025 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Community Facilities District or the Fiscal 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, the Fiscal Agent or the Community Facilities District, subject to any statutory or regulatory

requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Community Facilities District or the Fiscal 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.

DTC may discontinue providing its services as depository with respect to the 2025 Bonds at any time by giving reasonable notice to the Community Facilities District or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, the 2025 Bond certificates are required to be printed and delivered.

The Community Facilities District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the 2025 Bond certificates will be printed and delivered to DTC.

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

### **Discontinuance of DTC Services**

In the event that (a) DTC determines not to continue to act as securities depository for the 2025 Bonds, or (b) the Community Facilities District determines that DTC shall no longer act and delivers a written certificate to the Fiscal Agent to that effect, then the Community Facilities District will discontinue the Book-Entry System with DTC for the 2025 Bonds. If the Community Facilities District determines to replace DTC with another qualified securities depository, the Community Facilities District will prepare or direct the preparation of a new single separate, fully-registered Bond for each maturity of the 2025 Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Fiscal Agent Agreement. If the Community Facilities District fails to identify another qualified securities depository to replace the incumbent securities depository for the 2025 Bonds, then the 2025 Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the 2025 Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the 2025 Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the 2025 Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Fiscal Agent Agreement, and (iii) the 2025 Bonds will be transferable and exchangeable as provided in the Fiscal Agent Agreement.

*The Community Facilities District and the Fiscal Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the 2025 Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, redemption price of or interest on the 2025 Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Fiscal Agent Agreement; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2025 Bonds; (v) any consent given or other action taken by DTC as*

*registered owner; or (vi) any other matter arising with respect to the 2025 Bonds or the Fiscal Agent Agreement. The Community Facilities District and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal or interest on the 2025 Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The Community Facilities District and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the 2025 Bonds or any error or delay relating thereto.*

THE COMMUNITY FACILITIES DISTRICT AND THE FISCAL AGENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE 2025 BONDOWNERS UNDER THE FISCAL AGENT AGREEMENT, (III) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF A BOND, (IV) THE PAYMENT BY ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THE 2025 BONDS, (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE 2025 BONDOWNER OF THE 2025 BONDS, OR (VI) ANY OTHER MATTER.

THE FISCAL AGENT, AS LONG AS A BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE 2025 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2025 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

**APPENDIX G**

**ASSESSED VALUE AND VALUE-TO-BURDEN  
BY ASSESSOR PARCEL NUMBER**



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**IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO 2021-1  
OF THE HEMET UNIFIED SCHOOL DISTRICT  
ASSESSED VALUE AND VALUE-TO-BURDEN BY ASSESSOR PARCEL NUMBER\***

ASSESSOR PARCEL NO. <sup>(1)</sup>	SITUS ADDRESS <sup>(1)</sup>	BASE YEAR VALUE <sup>(1)(2)</sup>	IMPROVEMENT VALUE - FISCAL YEAR 2024/25 <sup>(1)</sup>	LAND VALUE - FISCAL YEAR 2024/25 <sup>(1)</sup>	TOTAL ASSESSED VALUE - FISCAL YEAR 2024/25	VALUE - TO - BURDEN*
464300005	1385 CAPRICE CT	2023	\$439,295	\$76,500	\$515,795	10.58
464300006	1375 CAPRICE CT	2023	\$392,700	\$76,500	\$469,200	9.96
464300007	1365 CAPRICE CT	2023	\$438,589	\$76,500	\$515,089	10.36
464300008	1359 CAPRICE CT	2023	\$429,409	\$76,500	\$505,909	10.41
464300009	1347 CAPRICE CT	2023	\$392,689	\$76,500	\$469,189	9.96
464300010	1337 CAPRICE CT	2023	\$448,789	\$76,500	\$525,289	10.53
464300011	1321 CAPRICE CT	2023	\$416,221	\$76,500	\$492,721	10.37
464300012	1286 ALLEGIANCE AVE	2023	\$470,602	\$76,500	\$547,102	11.10
464300013	1270 ALLEGIANCE AVE	2023	\$437,906	\$76,500	\$514,406	10.55
464300014	1262 ALLEGIANCE AVE	2023	\$429,899	\$76,500	\$506,399	10.61
464300015	1254 ALLEGIANCE AVE	2023	\$458,301	\$76,500	\$534,801	10.68
464300016	1246 ALLEGIANCE AVE	2023	\$446,576	\$76,500	\$523,076	10.70
464300017	1238 ALLEGIANCE AVE	2023	\$423,320	\$75,000	\$498,320	10.47
464300018	1234 ALLEGIANCE AVE	2023	\$402,320	\$75,000	\$477,320	10.10
464300019	1222 ALLEGIANCE AVE	2023	\$430,990	\$75,000	\$505,990	10.41
464300020	1220 ALLEGIANCE AVE	2023	\$474,990	\$75,000	\$549,990	10.93
464300021	1310 MONUMENT ST	2023	\$421,435	\$75,000	\$496,435	10.44
464300022	1320 MONUMENT ST	2023	\$392,320	\$75,000	\$467,320	9.93
464300023	1330 MONUMENT ST	2023	\$425,291	\$74,999	\$500,290	10.31
464300024	1341 MONUMENT ST	2023	\$415,820	\$75,000	\$490,820	10.34
464300025	1350 MONUMENT ST	2023	\$433,990	\$75,000	\$508,990	10.46
464300026	1360 MONUMENT ST	2023	\$431,896	\$74,999	\$506,895	10.43
464300027	1370 MONUMENT ST	2023	\$382,000	\$75,000	\$457,000	9.75
464300028	1380 MONUMENT ST	2023	\$433,320	\$75,000	\$508,320	10.64
464300029	1390 MONUMENT ST	2023	\$475,820	\$75,000	\$550,820	10.94
464301001	1260 PROSPERITY PL	2023	\$443,760	\$75,000	\$518,760	10.63
464301002	1266 PROSPERITY PL	2023	\$394,320	\$75,000	\$469,320	9.96
464301003	1272 PROSPERITY PL	2023	\$444,990	\$75,000	\$519,990	10.44
464301004	1339 PROVENCE CT	2023	\$431,449	\$76,500	\$507,949	10.44
464301005	1349 PROVENCE CT	2023	\$478,364	\$76,500	\$554,864	11.01
464301006	1361 PROVENCE CT	2023	\$434,320	\$75,000	\$509,320	10.47
464301007	1367 PROVENCE CT	2023	\$406,980	\$76,500	\$483,480	10.21
464301008	1877 PROVENCE CT	2023	\$455,067	\$76,500	\$531,567	10.63
464301009	1372 PROVENCE CT	2023	\$463,406	\$76,500	\$539,906	10.98
464301010	1368 PROVENCE CT	2023	\$484,320	\$75,000	\$559,320	11.08
464301011	1356 PROVENCE CT	2023	\$444,320	\$75,000	\$519,320	10.64
464301012	1342 PROVENCE CT	2023	\$468,338	\$76,500	\$544,838	10.85
464301013	1332 PROVENCE CT	2023	\$415,140	\$76,500	\$491,640	10.35
464301014	1325 MONUMENT ST	2023	\$464,760	\$75,000	\$539,760	10.97
464301015	1335 MONUMENT ST	2023	\$382,000	\$75,000	\$457,000	9.75
464301016	1355 MONUMENT ST	2023	\$436,320	\$75,000	\$511,320	10.50
464301017	1365 MONUMENT ST	2023	\$404,320	\$75,000	\$479,320	10.14
464301018	1375 MONUMENT ST	2023	\$411,490	\$75,000	\$486,490	10.26
464310001	1233 BLUSH AVE	2023	\$437,520	\$75,000	\$512,520	10.71
464310002	1247 BLUSH AVE	2023	\$384,990	\$75,000	\$459,990	9.80
464310003	1259 BLUSH AVE	2023	\$443,215	\$75,000	\$518,215	10.62
464310004	1267 BLUSH AVE	2024	\$405,990	\$75,000	\$480,990	10.17
464310005	1281 BLUSH AVE	2024	\$35,514	\$6,004	\$41,518	1.02
464310006	1293 BLUSH AVE	2024	\$306,700	\$25,612	\$332,312	7.43
464310007	1475 CAPRICE CT	2024	\$398,320	\$75,000	\$473,320	10.03
464310008	1467 CAPRICE CT	2024	\$345,300	\$25,612	\$370,912	8.02
464310009	1457 CAPRICE CT	2024	\$274,400	\$25,612	\$300,012	6.79
464310010	1445 CAPRICE CT	2024	\$332,000	\$25,612	\$357,612	7.61
464310011	1435 CAPRICE CT	2024	\$236,200	\$25,612	\$261,812	6.01
464310012	1425 CAPRICE CT	2024	\$274,400	\$25,612	\$300,012	6.79
464311010	1466 SPIRIT ST	2024	\$440,990	\$75,000	\$515,990	10.58
464311011	1456 SPIRIT ST	2024	\$381,990	\$75,000	\$456,990	9.75
464311012	1444 SPIRIT ST	2024	\$436,930	\$75,000	\$511,930	10.51
464311013	1432 SPIRIT ST	2024	\$430,320	\$75,000	\$505,320	10.59

464311014	1428 SPIRIT ST	2024	\$444,990	\$75,000	\$519,990	10.65
464311015	1425 SPIRIT ST	2024	\$384,990	\$75,000	\$459,990	9.80
464311016	1431 SPIRIT ST	2024	\$421,320	\$75,000	\$496,320	10.43
464311017	1445 SPIRIT ST	2024	\$440,990	\$75,000	\$515,990	10.58
464311018	1455 SPIRIT ST	2024	\$306,700	\$25,612	\$332,312	7.43
464311019	1465 SPIRIT ST	2024	\$382,990	\$75,000	\$457,990	9.76
464311020	1460 CAPRICE CT	2024	\$432,320	\$75,000	\$507,320	10.62
464311021	1450 CAPRICE CT	2024	\$250,100	\$25,612	\$275,712	6.30
464311022	1438 CAPRICE CT	2024	\$345,300	\$25,612	\$370,912	8.02
464311023	1428 CAPRICE CT	2024	\$415,490	\$75,000	\$490,490	10.33
464311024	1283 PROSPERITY PL	2023	\$408,760	\$75,000	\$483,760	10.22
464311025	1279 PROSPERITY PL	2023	\$394,320	\$75,000	\$469,320	9.96
464311026	1275 PROSPERITY PL	2023	\$457,205	\$75,000	\$532,205	10.85
464312010	1400 MONUMENT ST	2023	\$306,700	\$25,612	\$332,312	7.43
464312011	1410 MONUMENT ST	2023	\$434,290	\$75,000	\$509,290	10.47
464312012	1420 MONUMENT ST	2023	\$384,990	\$75,000	\$459,990	9.80
464312013	1430 MONUMENT ST	2023	\$415,190	\$75,000	\$490,190	10.33
464312014	1440 MONUMENT ST	2023	\$470,386	\$74,999	\$545,385	10.86
464312015	1450 MONUMENT ST	2023	\$458,950	\$75,000	\$533,950	10.88
464312016	1460 MONUMENT ST	2023	\$389,990	\$75,000	\$464,990	9.89
464312017	1470 MONUMENT ST	2023	\$442,390	\$75,000	\$517,390	10.60
464312018	1480 MONUMENT ST	2023	\$436,720	\$75,000	\$511,720	10.70
464350001	1294 MEMORIAL AVE	2022	\$265,812	\$123,696	\$389,508	9.37
464350002	1288 MEMORIAL AVE	2022	\$353,940	\$112,200	\$466,140	10.87
464350003	1276 MEMORIAL AVE	2022	\$313,956	\$122,438	\$436,394	10.11
464350004	1270 MEMORIAL AVE	2022	\$265,812	\$122,491	\$388,303	9.35
464350005	1262 MEMORIAL AVE	2022	\$275,604	\$122,527	\$398,131	9.55
464350006	1254 MEMORIAL AVE	2022	\$313,956	\$122,579	\$436,535	10.12
464350007	1246 MEMORIAL AVE	2022	\$265,812	\$122,632	\$388,444	9.35
464350008	1238 MEMORIAL AVE	2022	\$275,604	\$122,668	\$398,272	9.55
464350009	1230 MEMORIAL AVE	2022	\$265,812	\$122,791	\$388,603	9.35
464350010	1222 MEMORIAL AVE	2022	\$275,604	\$122,668	\$398,272	9.55
464350011	1210 MEMORIAL AVE	2022	\$313,956	\$123,960	\$437,916	10.14
464350012	1202 UNIVERSAL WAY	2022	\$265,812	\$134,440	\$400,252	9.59
464350013	1210 UNIVERSAL WAY	2022	\$275,604	\$122,649	\$398,253	9.55
464350014	1218 UNIVERSAL WAY	2022	\$313,956	\$123,376	\$437,332	10.13
464350015	1226 UNIVERSAL WAY	2022	\$275,604	\$124,084	\$399,688	9.58
464350016	1234 UNIVERSAL WAY	2022	\$265,812	\$124,084	\$389,896	9.38
464350017	1242 UNIVERSAL WAY	2022	\$265,812	\$123,854	\$389,666	9.38
464350018	1250 UNIVERSAL WAY	2022	\$313,956	\$123,889	\$437,845	10.14
464350019	1258 UNIVERSAL WAY	2022	\$275,604	\$123,924	\$399,528	9.57
464350020	1266 UNIVERSAL WAY	2022	\$265,814	\$123,783	\$389,597	9.37
464350021	1274 UNIVERSAL WAY	2022	\$313,956	\$122,261	\$436,217	10.11
464350022	1282 UNIVERSAL WAY	2022	\$275,604	\$123,198	\$398,802	9.56
464350023	1211 CONVENTION WAY	2022	\$265,814	\$134,930	\$400,744	9.60
464350024	1225 CONVENTION WAY	2022	\$275,604	\$124,597	\$400,201	9.59
464350025	1237 CONVENTION WAY	2022	\$313,956	\$124,845	\$438,801	10.16
464350026	1245 CONVENTION WAY	2022	\$265,812	\$125,640	\$391,452	9.41
464351001	1257 CONVENTION WAY	2022	\$313,956	\$124,048	\$438,004	10.15
464351002	1265 CONVENTION WAY	2022	\$275,604	\$123,766	\$399,370	9.57
464351003	1273 CONVENTION WAY	2022	\$313,956	\$123,464	\$437,420	10.13
464351004	1281 JUSTICE PL	2022	\$265,812	\$123,269	\$389,081	9.36
464351005	1273 JUSTICE PL	2022	\$275,604	\$123,129	\$398,733	9.56
464351006	1267 JUSTICE PL	2022	\$313,989	\$19,428	\$333,417	8.06
464351007	1265 JUSTICE PL	2022	\$265,812	\$121,873	\$387,685	9.34
464351008	1259 JUSTICE PL	2022	\$275,604	\$121,926	\$397,530	9.53
464351009	1257 JUSTICE PL	2022	\$313,956	\$122,013	\$435,969	10.11
464351010	1251 JUSTICE PL	2022	\$265,812	\$122,084	\$387,896	9.34
464351011	1243 JUSTICE PL	2022	\$275,604	\$122,155	\$397,759	9.54
464351012	1235 JUSTICE PL	2022	\$313,956	\$122,243	\$436,199	10.11
464351013	1227 JUSTICE PL	2022	\$265,812	\$122,314	\$388,126	9.35
464351014	1221 JUSTICE PL	2022	\$275,604	\$122,404	\$398,008	9.54
464351015	1213 JUSTICE PL	2022	\$313,956	\$122,527	\$436,483	10.12
464352001	1271 MEMORIAL AVE	2022	\$265,812	\$123,624	\$389,436	9.37
464352002	1263 MEMORIAL AVE	2022	\$313,956	\$122,864	\$436,820	10.12
464352003	1257 MEMORIAL AVE	2022	\$275,604	\$123,234	\$398,838	9.56
464352004	1249 MEMORIAL AVE	2022	\$265,812	\$123,234	\$389,046	9.36
464352005	1237 MEMORIAL AVE	2022	\$313,956	\$123,234	\$437,190	10.13
464352006	1231 MEMORIAL AVE	2022	\$275,604	\$122,864	\$398,468	9.55

464352007	1229 MEMORIAL AVE	2022	\$313,956	\$122,757	\$436,713	10.12
464352008	1226 TRIBAL AVE	2022	\$265,812	\$123,606	\$389,418	9.37
464352009	1230 TRIBAL AVE	2022	\$313,956	\$122,881	\$436,837	10.12
464352010	1236 TRIBAL AVE	2022	\$265,812	\$123,251	\$389,063	9.36
464352011	1246 TRIBAL AVE	2022	\$275,604	\$123,251	\$398,855	9.56
464352012	1256 TRIBAL AVE	2022	\$313,956	\$123,234	\$437,190	10.13
464352013	1266 TRIBAL AVE	2022	\$265,812	\$122,881	\$388,693	9.36
464352014	1270 TRIBAL AVE	2022	\$275,604	\$123,589	\$399,193	9.57
464353001	1248 JUSTICE PL	2022	\$265,812	\$123,817	\$389,629	9.38
464353002	1254 JUSTICE PL	2022	\$313,956	\$123,076	\$437,032	10.13
464353003	1258 JUSTICE PL	2022	\$275,604	\$123,447	\$399,051	9.57
464353004	1262 JUSTICE PL	2022	\$265,812	\$123,447	\$389,259	9.37
464353005	1266 JUSTICE PL	2022	\$313,956	\$123,447	\$437,403	10.13
464353006	1272 JUSTICE PL	2022	\$275,604	\$124,721	\$400,325	9.59
464353007	1279 ESTATE PL	2022	\$313,956	\$126,686	\$440,642	10.20
464353008	1271 ESTATE PL	2022	\$275,604	\$126,932	\$402,536	9.63
464353009	1265 ESTATE PL	2022	\$265,812	\$126,615	\$392,427	9.43
464353010	1257 ESTATE PL	2022	\$313,956	\$126,615	\$440,571	10.19
464353011	1251 ESTATE PL	2022	\$275,604	\$126,138	\$401,742	9.62
464354001	1247 UNIVERSAL WAY	2022	\$275,604	\$123,341	\$398,945	9.56
464354002	1255 UNIVERSAL WAY	2022	\$313,956	\$122,332	\$436,288	10.11
<b>TOTAL / AVERAGE:</b>			<b>\$52,484,129</b>	<b>\$13,842,586</b>	<b>\$66,326,715</b>	<b>9.85</b>

(1) Source: Riverside County Assessor Closed Roll for Fiscal Year 2024/25.

(2) Under Proposition 13, properties are reassessed to current market value only upon a change in ownership or completion of new construction, referred to as the Base Year Value.

\* Preliminary subject to Change.



