

NEW ISSUE — BOOK-ENTRY ONLY

Ratings: Insured Bonds: S&P “AA”

Underlying/Uninsured Bonds: S&P “A+”

See the caption “CONCLUDING INFORMATION—Ratings”

In the opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “CONCLUDING INFORMATION—Tax Matters” with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

COUNTY OF ORANGE

STATE OF CALIFORNIA



\$16,005,000*

**CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
2026 SPECIAL TAX REFUNDING BONDS**

Dated: Date of Delivery

Due: October 1, as shown on the inside cover page

The City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds (the “**Bonds**”) are being issued by City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (the “**District**”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “**CFD Act**”), and a Bond Indenture, dated as of July 1, 2026 (the “**Indenture**”), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), and will be secured as described herein. See the caption “SECURITY FOR THE BONDS.”

The Bonds are being issued: (i) together with other available funds, to refund the outstanding City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2015 Special Tax Refunding Bonds (the “**2015 Bonds**”); (ii) to pay the premium for a Municipal Bond Debt Service Reserve Insurance Policy for deposit in the Reserve Account to fund 50% of the initial Reserve Requirement and fund a cash deposit for the remaining 50% of the initial Reserve Requirement; and (iii) to pay certain costs of issuance of the Bonds, including the premium for an insurance policy insuring the Insured Bonds (defined below).

The Bonds will be secured by special tax liens on taxable property within the District and certain funds held by the Trustee under the Indenture. The City of Orange (the “**City**”) has determined that it will not obligate itself to advance funds from its treasury to cover any delinquency on the Bonds. See the caption “SECURITY FOR THE BONDS.”

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company (“**DTC**”), New York, New York. Interest on the Bonds will be payable on October 1, 2026 and each April 1 and October 1 thereafter. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases of Bonds will be in principal amounts of \$5,000 or in any integral multiple of \$5,000. Payments of principal and interest will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the beneficial owners of the Bonds.

The Bonds are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption from Special Tax prepayments prior to maturity as set forth herein. See the caption “THE BONDS—Redemption.”

ALL OBLIGATIONS OF THE DISTRICT UNDER THE INDENTURE AND THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM THE NET TAXES AND THE FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES.

The scheduled payment of principal of and interest on the Bonds maturing on October 1 of the years 20__ through 20__.* inclusive (collectively, the “**Insured Bonds**”), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY INC. (the “**Insurer**” or “**AG**”). The Insurer will also issue a debt service reserve insurance policy concurrently with the issuance of the Bonds to be credited to the Reserve Account for the Bonds to satisfy 50% of the initial Reserve Requirement. See “BOND INSURANCE” herein.



See the caption “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered in addition to the other matters set forth herein when evaluating the investment quality of the Bonds. This cover page contains certain information for general reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**MATURITY SCHEDULE
(See inside cover)**

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the City and the District by the City Attorney, and by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel, for the Underwriter by Anzel Galvan LLP, San Francisco, California, for the Insurer by its counsel and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about July 16, 2026.



Dated: _____, 2026

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the 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.

\$16,005,000*
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
2026 SPECIAL TAX REFUNDING BONDS

MATURITY SCHEDULE

Base CUSIP^{®†}: _____

<i>Maturity Date (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP^{®†}</i>
	\$	%	%		

\$ _____ % Term Bonds Due October 1, _____, Yield _____ %, Price _____, CUSIP^{®†} _____
 \$ _____ % Term Bonds Due October 1, _____, Yield _____ %, Price _____, CUSIP^{®†} _____

* Preliminary, subject to change.

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¹ Insured Bond.

THE CITY OF ORANGE

CITY COUNCIL

Dan Slater, Mayor
Denis Bilodeau, Mayor Pro Tem
Arianna Barrios, Council Member
Jon Dumitru, Council Member
Kathy Tavoularis, Council Member
Ana Gutierrez, Council Member
John Gyllenhammer, Council Member

OFFICIALS

Jarad Hildenbrand, City Manager
Trang Nguyen, Finance Director
Garrett Smith, City Treasurer
Nathalie Adourian, City Attorney
Pamela Coleman, City Clerk

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Verification Agent

Robert Thomas CPA, LLC
Minneapolis, Minnesota

Special Tax Consultant

Willdan Financial Services
Temecula, California

Trustee/Escrow Agent

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

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

The information set forth herein which has been obtained from parties other than the City and the District is believed to be reliable but is not guaranteed as to accuracy or completeness by the City or the District. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information herein relating to the Bonds, the District and the City does not purport to be comprehensive or definitive. All references to the Bonds are qualified in their entirety by reference to the Indenture setting forth the terms and descriptions thereof. The summaries and references to any code, act, resolution or the Indenture, and to other statutes and documents in this Official Statement, do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each statute and document.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts set forth herein in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The City and the District disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Official Statement to reflect any changes in the expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

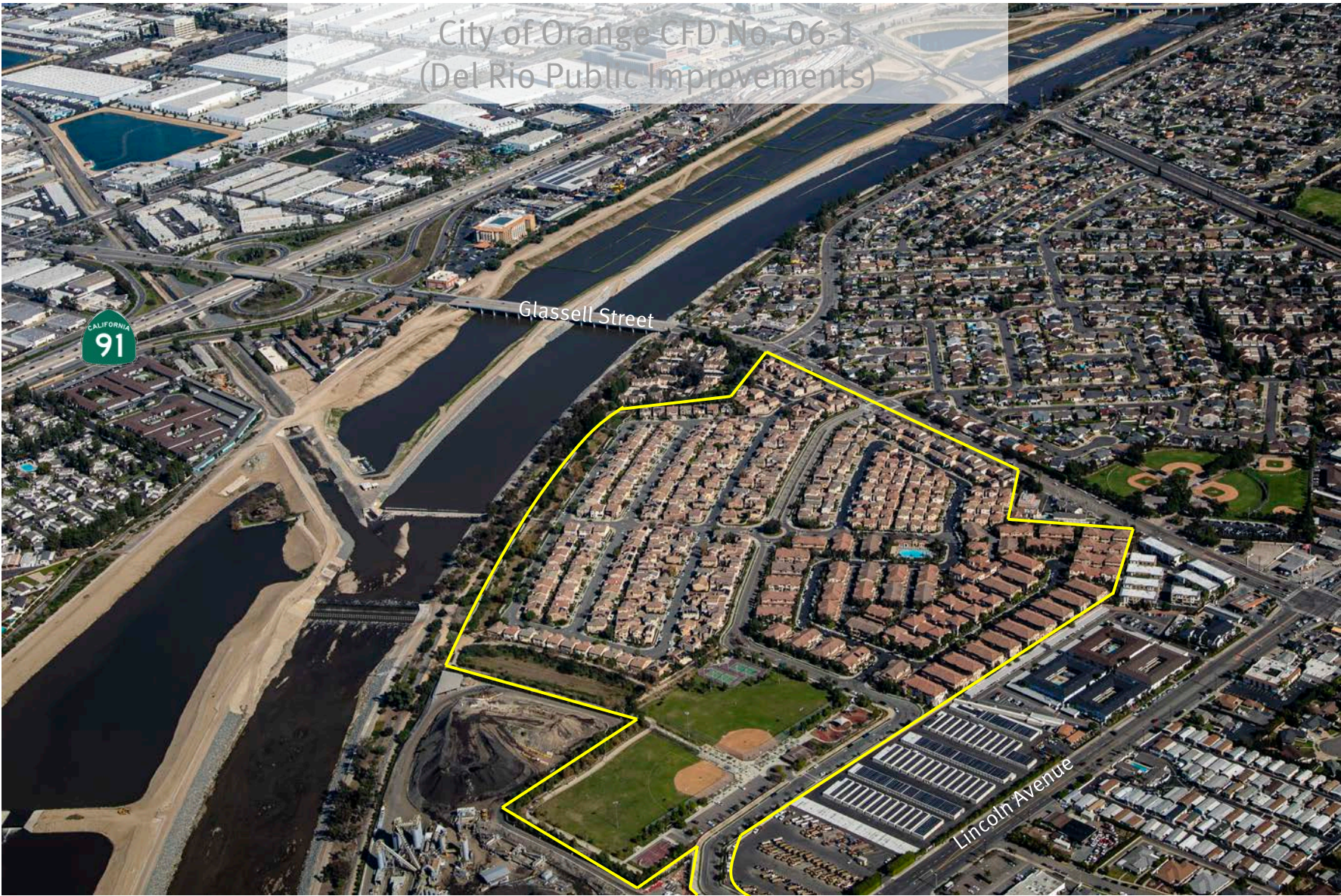
The City maintains a website and certain social media accounts; however, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

Assured Guaranty Inc. (“Insurer” or AG”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading “BOND INSURANCE” and APPENDIX G—“SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

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City of Orange CFD No. 06-1
(Del Rio Public Improvements)



CALIFORNIA
91

Glassell Street

Lincoln Avenue

\$16,005,000*
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
2026 SPECIAL TAX REFUNDING BONDS

INTRODUCTION

Summary

This Official Statement is provided to furnish certain information in connection with the issuance and sale by City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (the “**District**”) of \$16,005,000* aggregate principal amount of City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds (the “**Bonds**”).

The Bonds will be issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, constituting Section 53311 *et seq.* of the Government Code of the State of California (the “**CFD Act**”), and a Bond Indenture, dated as of July 1, 2026 (the “**Indenture**”), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”). Capitalized terms that are used in this Official Statement and not defined have the meanings which are ascribed thereto in Appendix A.

The Bonds are being issued: (i) together with other available funds, to refund the outstanding City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2015 Special Tax Refunding Bonds (the “**2015 Bonds**”); (ii) to pay the premium for a Municipal Bond Debt Service Reserve Insurance Policy (the “**Reserve Policy**”) to be issued by Assured Guaranty Inc. (the “**Insurer**”) for deposit in the Reserve Account to fund 50% of the initial Reserve Requirement and fund a cash deposit for the remaining 50% of the initial Reserve Requirement; and (iii) to pay certain costs of issuance of the Bonds, including the premium for a Municipal Bond Insurance Policy (the “**Policy**”) insuring the Bonds maturing on October 1 of the years 20__ through 20__,* inclusive (collectively, the “**Insured Bonds**”), to be issued by the Insurer concurrently with the issuance of the Bonds. See the caption “THE REFUNDING PLAN.”

The Bonds are limited obligations of the District payable from Net Taxes (as such term is defined under the caption “SECURITY FOR THE BONDS—Payment of the Bonds—General”) which are derived from the levy of Special Taxes on certain taxable property within the District and from certain funds held by the Trustee under the Indenture. See the caption “THE DISTRICT” for information related to the property within the District subject to the lien of the Special Taxes.

The District was formed on December 12, 2006 for the purpose of financing a portion of certain public improvements within the City of Orange (the “**City**”), a general law city organized and existing under the laws of the State of California. The District is located in the northwestern portion of the City, adjacent to the City of Anaheim, west of Glassell Avenue and north of Lincoln Avenue. A portion of the boundary of the District runs along the bank of the Santa Ana River. The District is part of an area known as the Riverbend community. The District is fully built out. The District includes approximately 73.64 gross acres, within which there are approximately 43 acres of developed single family residential properties (comprising 597 parcels of taxable property), a 10.5 acre public sports park, six acres of bio-swale area and 13.5 acres of public streets. See the caption “THE DISTRICT.”

ALL OBLIGATIONS OF THE DISTRICT UNDER THE INDENTURE AND THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM THE NET TAXES AND THE FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE

* Preliminary, subject to change.

INDENTURE), THE CITY OR THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES.

Covenant to Foreclose

The District has covenanted in the Indenture to commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$10,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and to diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided, however, that the District is not required to undertake any such foreclosure proceedings if: (i) the amount of Special Taxes collected by the October 1 for the most recent Fiscal Year was equal to 95% or more of the total Special Tax levied in such Fiscal Year; and (ii) the amount on deposit in the Reserve Account and any reserve account established in connection with the issuance of such Parity Bonds as of October 1 was at least equal to the Reserve Requirement. See the caption “SECURITY FOR THE BONDS—Covenant to Foreclose.”

No Parity Bonds Except for Refunding Purposes

The District has covenanted in the Indenture that, except as described below, it will not issue any other obligations payable, as to principal or interest, from the Net Taxes which have, or purport to have, any lien upon the Net Taxes superior to or on a parity with the lien of the Bonds, other than Parity Bonds. Under the Indenture, the District may at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding and the conditions precedent in the Indenture are satisfied, including the requirement that the issuance of such Parity Bonds will result in a reduction of Annual Debt Service on the Bonds and any Parity Bonds to be Outstanding following the issuance of such Parity Bonds.

Bond Insurance

The scheduled payment of principal of and interest on the Insured Bonds (consisting of the Bonds maturing on October 1, 20__ through 20__, inclusive, October 1, 20__ and October 1, 20__)* when due will be guaranteed under the Policy to be issued by the Insurer concurrently with the delivery of the Bonds. See the caption “BOND INSURANCE.”

The Bonds maturing on October 1 of the years 20__ through 20__,* inclusive, are *not* insured under the Policy.

Reserve Account

A Reserve Account for the Bonds has been established pursuant to the Indenture. The Reserve Requirement for the Bonds, as of the date of issuance of the Bonds, equals \$____. The Reserve Requirement on the date the Bonds are issued will be satisfied at the time of issuance of the Bonds by the deposit of cash in the amount of 50% of the Reserve Requirement and the deposit of the Reserve Policy in the stated amount of

* Preliminary, subject to change.

50% of the Reserve Requirement. Subject to the limitations set forth in the Indenture, the Trustee may draw upon the Reserve Policy to pay the principal of, including sinking fund payments, and interest on the Bonds when due in the event that the moneys in the Special Tax Fund are insufficient therefor. See the caption “SECURITY FOR THE BONDS—Repayment of the Bonds—Reserve Account of the Special Tax Fund.”

In the event of a draw on the Reserve Policy or the failure by the Insurer to honor a draw request, though the District is obligated under the Indenture to repay the Bond Insurer for any draws actually made under the Reserve Policy, District has no obligation to replenish the 50% Reserve Policy portion of the Reserve Account with cash or to provide an alternate reserve policy.

Risk Factors

See the caption “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds generally.

Brief descriptions of the Bonds, the security for the Bonds, the District, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions in this Official Statement of the Bonds, the Indenture and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Indenture and such other documents.

THE REFUNDING PLAN

The Bonds are being issued in order to provide funds to defease and refund in full the 2015 Bonds, which are described in the following table. The 2015 Bonds were issued to refinance capital improvements authorized to be funded by the District.

TABLE 1
2015 BONDS*

<i>Principal Payment Date (October 1)</i>	<i>CUSIP®[†] (684076)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Redemption Price</i>	<i>Redemption Date</i>
2026	FE7	\$ 755,000	3.00%	100%	October 1, 2026
2027	FF4	810,000	3.00	100	October 1, 2026
2028	FG2	865,000	3.12	100	October 1, 2026
2029	FH0	925,000	3.25	100	October 1, 2026
2030	FJ6	985,000	3.25	100	October 1, 2026
2031	FK3	1,050,000	3.25	100	October 1, 2026
2032	FL1	1,120,000	3.50	100	October 1, 2026
2033	FM9	1,195,000	3.50	100	October 1, 2026
2034	FN7	1,270,000	3.50	100	October 1, 2026
2040 [†]	FQ0	<u>9,820,000</u>	5.00	100	October 1, 2026
TOTAL		\$ 18,795,000			

[†] Term Bonds.

* Preliminary, subject to change.

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Under an Escrow Agreement (2015 Bonds), dated as of July 1, 2026 (the “**Escrow Agreement**”), by and between the District and U.S. Bank Trust Company, National Association, as escrow agent (the “**Escrow Agent**”), the District will deliver a portion of the proceeds of the Bonds which, together with moneys held in certain funds related to the 2015 Bonds, will be deposited by the Escrow Agent in the escrow fund established under the Escrow Agreement (the “**Escrow Fund**”).

The Escrow Agent will invest a portion of the amounts deposited in the Escrow Fund in federal securities as set forth in the Escrow Agreement. From the moneys on deposit in the Escrow Fund and the investment earnings thereon, the Escrow Agent will pay: (i) the regularly scheduled principal of and interest on the outstanding 2015 Bonds maturing on October 1, 2026 (the “**Redemption Date**”); and (ii) on the Redemption Date, the redemption price on the principal of the outstanding 2015 Bonds maturing after the Redemption Date, plus interest with respect thereto accrued through the Redemption Date, without premium.

Sufficiency of the deposits in the Escrow Fund for such purposes will be verified by Robert Thomas CPA, LLC (the “**Verification Agent**”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the 2015 Bonds will be defeased pursuant to the provisions of the fiscal agent agreement under which they were issued as of the date of issuance of the Bonds.

Upon the issuance of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the moneys deposited in the Escrow Fund to pay: (i) the principal of and interest on the outstanding 2015 Bonds maturing on the Redemption Date; and (ii) on the Redemption Date, the principal of the outstanding 2015 Bonds maturing after the Redemption Date, plus interest with respect thereto accrued through the Redemption Date, without premium.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the outstanding 2015 Bonds. Neither the funds deposited in the Escrow Fund, nor any interest thereon, will be available for the payments of principal of or interest on the Bonds.

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TABLE 2
ESTIMATED SOURCES AND USES

The estimated sources and uses of funds with respect to the Bonds and amounts transferred by the District to the Escrow Agent are set forth in the following table:

<i>Sources of Funds</i> ⁽¹⁾	
Principal Amount of Bonds	\$
Plus Net Original Premium	
Plus Other Available Moneys ⁽²⁾	
<i>Total Sources</i>	<u><u>\$</u></u>
<i>Uses of Funds</i> ⁽¹⁾	
Transfer to Escrow Agent for Deposit in Escrow Fund	\$
Underwriter's Discount	
Reserve Account ⁽³⁾	
Costs of Issuance ⁽⁴⁾	
<i>Total Uses</i>	<u><u>\$</u></u>

⁽¹⁾ Rounded to nearest dollar.

⁽²⁾ Includes moneys on deposit in funds and accounts related to the 2015 Bonds.

⁽³⁾ Equal to 50% of the Reserve Requirement. The remaining 50% will be satisfied by the Reserve Policy.

⁽⁴⁾ Includes legal fees, Municipal Advisor fees, printing fees, Trustee fees, Escrow Agent fees, Special Tax Consultant fees, Verification Agent fees, premiums for the Policy and the Reserve Policy and other Costs of Issuance.

THE BONDS

Description of the Bonds

The Bonds will be issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated their date of delivery. The Bonds will bear interest at the rates per annum and will mature, subject to the redemption provisions set forth below, on the dates and in the principal amounts, all as set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable semiannually on October 1, 2026 and each April 1 and October 1 thereafter (each, an “**Interest Payment Date**”) to the persons in whose names ownership of the Bonds is registered on the Bond Register at the close of business on the immediately preceding Record Date, except as provided in the Indenture. “**Record Date**” means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of such Bond, unless: (a) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (b) 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 (c) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond, in which event interest will be payable from the dated date of such Bond; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on such 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 or made available for payment on such Bond, interest on such Bond will be payable from its dated date.

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest will be paid by check of the Trustee mailed on the applicable Interest Payment Date by first class mail, postage prepaid, to such

Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment will be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated in writing by such Owner. Notwithstanding the foregoing, as long as DTC is the Owner of all or part of the Bonds, said interest payments will be made to DTC in accordance with the procedures of DTC, which as of the date of issuance of the Bonds are by wire transfer in immediately available funds.

The Bonds will mature on October 1 in the principal amounts and years as shown on the inside front cover page hereof and are subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption from Special Tax prepayments as described under the caption “—Redemption.”

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., as nominee of DTC. Payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. will be made by wire transfer of same-day funds to the account of Cede & Co. See Appendix D.

Redemption*

Optional Redemption. The Bonds with stated maturities on or after October 1, 2037 are subject to redemption prior to their respective stated maturities, as a whole or in part, as directed by the District in a written request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to redemption, by lot within each maturity in integral multiples of \$5,000, on October 1, 2036 or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

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* Preliminary, subject to change.

Mandatory Sinking Fund Redemption. The Bonds maturing on October 1, 20__ (the “**20__ Term Bonds**”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account, on October 1, 20__ and October 1, 20__, in accordance with the schedule of Sinking Fund Payments set forth below. The 20__ Term Bonds so called for redemption will be selected by the Trustee by lot and redeemed at a redemption price for each redeemed 20__ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

20__ TERM BONDS MATURING OCTOBER 1, 20__

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

*

* Maturity.

The Bonds maturing on October 1, 20__ (the “**20__ Term Bonds**”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account, on October 1, 20__ and October 1, 20__, in accordance with the schedule of Sinking Fund Payments set forth below. The 20__ Term Bonds so called for redemption will be selected by the Trustee by lot and redeemed at a redemption price for each redeemed 20__ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

20__ TERM BONDS MATURING OCTOBER 1, 20__

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

*

* Maturity.

If, during the Fiscal Year immediately preceding one of the redemption dates specified above, the District purchases Bonds, then at least 45 days prior to the redemption date the District will notify the Trustee as to the principal amount purchased and the amount of Bonds so purchased will be credited at the time of purchase, to the extent of the full principal amount thereof, to reduce such upcoming Sinking Fund Payment for the Bonds so purchased. All Bonds purchased pursuant to the foregoing provision will be cancelled pursuant to the Indenture.

In the event of a partial optional redemption or extraordinary redemption of the Bonds, each of the remaining Sinking Fund Payments for such Bonds, as described above, will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000, as directed by the District.

Extraordinary Redemption of the Bonds from Special Tax Prepayments. The Bonds are subject to extraordinary redemption as a whole, or in part by lot, on any Interest Payment Date, and will be redeemed by the Trustee, from Prepayments deposited to the Redemption Account pursuant to the Indenture, plus amounts transferred from the Reserve Account pursuant to the Indenture, among maturities as directed in writing by the

District, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
Any Interest Payment Date from (and including) October 1, 2026 through (and including) April 1, 2034	103%
October 1, 2034 and April 1, 2035	102
October 1, 2035 and April 1, 2036	101
October 1, 2036 and any Interest Payment Date thereafter	100

The District will notify the Trustee of any extraordinary redemption at least 45 days prior to the Interest Payment Date on which such redemption shall occur.

See the caption “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments.” Since the formation of the District, no property owner has prepaid its Special Taxes.

Selection of Bonds for Redemption. If less than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof; provided, however, that Bonds held by the Depository will be subject to the procedures and requirements of the Depository. The Trustee will promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

Partial Redemption. Upon surrender by the Owner of a Bond, at the option of such Owner, for mandatory redemption at the Principal Office of the Trustee, payment of such mandatory redemption of the principal amount of a Bond will be paid to such Owner. Upon surrender of any Bond to be redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations. Such mandatory redemption will be valid upon payment of the amount thereby required to be paid to such Owner, and the District and the Trustee will be released and discharged from all liability to the extent of such payment.

Notice of Redemption

When Bonds are due for redemption under the Indenture, subject in the case of optional redemption to its receipt of timely notice from the District of its election to exercise optional redemption, the Trustee will give notice, in the name of the District, of the redemption of such Bonds; provided, however, that a notice of a redemption to be made from other than from Sinking Fund Payments will be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Bonds or Parity Bonds to be redeemed. Such notice of redemption will: (a) specify the CUSIP numbers (if any) and the maturity date or dates of the Bonds selected for redemption; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be redeemed; (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond that is to be redeemed; (f) state the date of issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds being redeemed as specified by the Trustee (the Trustee having no duty to state such additional descriptive information). 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 30 days but no more than 45 days prior to the redemption date, the Trustee 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 or the original

purchaser of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture will be conclusive as against all parties, and the Owner is not entitled to show that he or she failed to receive notice of such redemption. Redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

In addition to the foregoing notice, further notice will be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. In addition to providing any notice of redemption to the Bondowners, if the Bonds are held in book-entry form, each further notice of redemption will be sent not later than the date that notice of redemption is mailed to the Bondowners by registered or certified mail or overnight delivery service to the Depository and by electronic notice to the Municipal Securities Rulemaking Board.

Upon the payment of the redemption price of any Bonds being redeemed, each check or other transfer of funds issued for such purpose will to the extent practicable bear the CUSIP number (if any) identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

With respect to any notice of optional redemption or extraordinary redemption of Bonds, such notice may state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Effect of Redemption

Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available to the Trustee for that purpose and being available to the Trustee therefor on the date fixed for such redemption:

(a) the 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 Indenture, anything in the Indenture or in the Bonds to the contrary notwithstanding;

(b) upon presentation and surrender thereof at the Principal Office of the Trustee, the redemption price of such Bonds will be paid to the Owners thereof;

(c) as of the redemption date, the 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

(d) as of the date fixed for redemption, no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

Transfers and Exchanges

So long as the Bonds remain in book-entry form, transfer and exchange of any of the Bonds will be accomplished in accordance with the provisions of such book-entry system. See Appendix D. In the event of termination of such book-entry system with respect to the Bonds, the Bonds may be transferred and exchanged in accordance with the terms of the Indenture. See Appendix B under the caption “GENERAL AUTHORIZATION AND BOND TERMS—Registration of Exchange or Transfer.”

Debt Service Schedule

The following is the debt service schedule for the Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

TABLE 3
DEBT SERVICE SCHEDULE

<i>Year Ending October 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2026	\$	\$	\$
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2040			
Total	\$	\$	\$

Source: Underwriter.

SECURITY FOR THE BONDS

Repayment of the Bonds

General. Pursuant to the CFD Act and the Indenture, the Bonds and any Parity Bonds are equally payable from and secured by a pledge and lien upon the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Reserve Account, which will only secure the Bonds, and the Administrative Expenses Account), without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expenses Account), which have been set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expenses Account therein) constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds; and, so long as any of the Bonds and any Parity Bonds or interest thereon remains Outstanding, amounts in the Special Tax Fund may not be used for any other purpose, except as permitted by the Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund will no longer be

considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Construction Fund, the Cost of Issuance Fund or the Administrative Expenses Account of the Special Tax Fund will be construed as a trust fund held for the benefit of the Owners.

Definitions. The following definitions are applicable to the above-described pledge.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as costs of issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by the City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District under the Indenture.

“Administrative Expenses Cap” means an amount equal to \$30,000 for the first Bond Year, increasing by 2% per annum for each subsequent Bond Year, or such lesser amount as may be designated in written instructions from an Authorized Representative of the City.

“Rate and Method” means the Rate and Method of Apportionment of Special Tax for the District approved by the qualified electors of the District on December 12, 2006 and recorded on December 26, 2006 as Document No. 2006000863536, and set forth in Appendix E.

“Net Taxes” means Special Taxes less amounts set aside to pay Administrative Expenses not to exceed the Administrative Expenses Cap.

“Ordinance” means Ordinance No. 17-06 adopted by the legislative body of the District on January 9, 2007, providing for the levying of the Special Tax.

“Prepayments” means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method.

“Resolution of Formation” means Resolution No. 10139 adopted by the City Council of the City on December 12, 2006, pursuant to which the City formed the District.

“Special Taxes” means the special taxes for facilities identified as “Special Tax A” in the Rate and Method, authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the CFD Act, the Rate and Method, and the voter approval obtained at the December 12, 2006 special election in the District, including any scheduled payments and any Prepayments thereof, and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon, but not including Special Tax B levied in the District.

Special Tax Fund. There has been established as a separate fund to be held by the Trustee called the “Special Tax Fund.” Except for the portion of any Prepayment to be deposited in the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth below, in the following order of priority, to:

- (1) the Administrative Expenses Account of the Special Tax Fund up to the Administrative Expenses Cap;
- (2) the Interest Account of the Special Tax Fund;

- (3) the Principal Account of the Special Tax Fund;
- (4) the Redemption Account of the Special Tax Fund;
- (5) the Reserve Account of the Special Tax Fund;
- (6) the Administrative Expenses Account of the Special Tax Fund to the extent that Administrative Expenses exceed or are expected to exceed the Administrative Expenses Cap;
- (7) the Rebate Fund; and
- (8) the Surplus Fund.

Upon the maturity of all of the Bonds and, after all principal and interest then due on the Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Administrative Expenses Account. The Trustee will transfer from the Special Tax Fund and deposit in the Administrative Expenses Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the City; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year may not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement, all as determined by the City. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expenses Account to the extent necessary to collect delinquent Special Taxes, as directed in writing by an Authorized Representative of the City. Moneys in the Administrative Expenses Account of the Special Tax Fund may be invested in any Permitted Investments as directed in writing by an Authorized Representative of the City and will be disbursed as directed in a Certificate of an Authorized Representative.

Interest Account and Principal Account. The principal of (including any Sinking Fund Payment) and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon optional or extraordinary redemption, will be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of (including any Sinking Fund Payment) and interest on the Bonds and any Parity Bonds will be made when due, after making a transfer to the Administrative Expenses Account as described above, at least one Business Day prior to each April 1 and October 1, the Trustee will make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account:

(a) To the Interest Account, 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 and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date that remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to October 1 of each year is equal to the principal payment (including any Sinking Fund Payment) due on the Bonds and any Parity Bonds maturing on such October 1 and any principal payment due on a previous October 1 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal (including any Sinking Fund Payment) of such Bonds and any Parity Bonds as the same become due at maturity.

Redemption Account. After making the deposits to the Administrative Expenses Account, the Interest Account and the Principal Account of the Special Tax Fund as described above, the Trustee will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expenses Account therein) may be applied to optionally redeem Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement, as determined by the District.

Prepayments deposited to the Redemption Account will be applied on the redemption date established pursuant to the Indenture for the use of such Prepayments to the payment of the principal of, premium (if any), and interest on the Bonds and any Parity Bonds to be redeemed with such Prepayments.

Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds, and Parity Bonds, will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender (if required) of such Bonds or Parity Bonds and, in the case of an optional redemption or an extraordinary redemption from Prepayments, to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the Indenture. Purchases of Outstanding Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine, but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Indenture. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund cash and investments in an amount equal to 50% of the Reserve Requirement and the Reserve Policy in an amount equal to 50% of the Reserve Requirement. The Reserve Account will be drawn upon solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due, and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will draw upon the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

The Insurer has made a commitment to issue, simultaneously with the initial issuance of the Bonds, the Reserve Policy in the amount equal to 50% of the Reserve Requirement for deposit in the Reserve Account, effective as of the date of issuance of the Bonds. Under the terms of the Reserve Policy, the Insurer will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the District, to the extent set forth in the Reserve Policy and in the Indenture. The remaining 50% of the Reserve Requirement, effective as of the date of issuance of the Bonds, will be funded with cash from proceeds of the Bonds.

“Reserve Requirement” means, as of the date of calculation: (a) with respect to the Bonds, an amount equal to the least of: (i) Maximum Annual Debt Service with respect to the Bonds; (ii) 125% of average Annual Debt Service on the then Outstanding Bonds; or (iii) ten percent (10%) of the initial outstanding principal amount of the Bonds; provided that the Reserve Requirement shall never exceed the

amount established pursuant to the foregoing calculation at the time of issuance of the Bonds; and (b) with respect to such Parity Bonds, an amount equal to the least of: (i) Maximum Annual Debt Service with respect to such Parity Bonds; (ii) 125% of average Annual Debt Service on such Parity Bonds; or (iii) ten percent (10%) of the initial outstanding principal amount of such Parity Bonds.

In the event of a draw on the Reserve Policy or the failure by the Insurer to honor a draw request, though the District is obligated under the Indenture to repay the Bond Insurer for any draws actually made under the Reserve Policy, District has no obligation to replenish the 50% Reserve Policy portion of the Reserve Account with cash or to provide an alternate reserve policy.

Levy and Collection of Special Taxes

The Special Taxes are to be levied and collected by the Treasurer-Tax Collector of the County of Orange in the same manner and at the same time as *ad valorem* property taxes; provided, however, that the District may directly bill the Special Tax or collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The District has made certain covenants in the Indenture for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on Bonds and Administrative Expenses when due, including the following:

(1) Beginning in Fiscal Year 2026-27 and continuing so long as any Bonds or Parity Bonds are Outstanding, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay: (i) the principal of and interest on the Bonds when due; (ii) the Administrative Expenses; (iii) any amounts required to replenish the Reserve Account of the Special Tax Fund and any reserve account established in connection with the issuance of such Parity Bonds to the Reserve Requirement, and (iv) any amounts due to the Insurer not included in (i) through (iii) above. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds are Outstanding.

(2) To the maximum extent that the law permits it to do so, the District will not initiate proceedings to reduce the maximum Special Tax rates for the District.

(3) In the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, the District will commence and pursue legal action in order to preserve its ability to comply with such covenants.

Although the Special Taxes constitute liens on taxable parcels within the District, such taxes do not constitute a personal indebtedness of the owners of such property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and other such liens could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners therein. See Table 7 under the caption "THE DISTRICT" for a description of the direct and overlapping tax and assessment debt levied within the District. See also the captions "SPECIAL RISK FACTORS—Direct and Overlapping Debt" and "SPECIAL RISK FACTORS—Cumulative Burden of Parity Taxes and Special Assessments." There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so, all as more fully described under the caption "SPECIAL RISK FACTORS—The Special Taxes are Not Personal Obligations of the Owners."

Rate and Method of Apportionment of Special Taxes

General. The District is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to a methodology, i.e., the Rate and Method, which the City Council, as the legislative body of the District, and the electors within the District have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for the District, which should be read in conjunction with the complete text of the Rate and Method which is attached as Appendix E. The meaning of the defined terms used in this section are as set forth in Appendix E. 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 E.

Assignment to Land Use Categories. Each Fiscal Year, subject to the limitations set forth in the Rate and Method, the City levies the Special Tax on Taxable Property in the District, until the amount of Special Taxes levied equals the Special Tax Requirement for Facilities. The Special Tax Requirement for Facilities means the amount required in any Fiscal Year to: (1) pay debt service on and other periodic costs of the Bonds and Parity Bonds due in the calendar year commencing in such Fiscal Year; (2) pay the cost of acquisition or construction of facilities authorized to be financed by the District; (3) pay all or a portion of Administrative Expenses; (4) pay any amount required to replenish any reserve fund established in association with the Bonds and Parity Bonds; (5) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; (6) pay the costs of remarketing, credit enhancement and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash); less (7) a credit for funds available to reduce the annual Special Tax A levy, as determined by the CFD Administrator pursuant to the Trustee Agreement. Pursuant to the Rate and Method, the Special Tax will be levied for the time period necessary to fully satisfy items (1), (3), (4) and (6) of the Special Tax Requirement for Facilities, but in no event will it be levied after Fiscal Year 2046-47.

Pursuant to the Rate and Method, each Fiscal Year, all Taxable Property within the District (which includes all Assessor's Parcels within the boundaries of the District that are not exempt from the Special Tax levy under the Rate and Method) is classified as one of the following: Developed Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property. In addition, a Developed Property that is also a Residential Property falls within one of the Land Use Classes numbering 1 through 10, based on the type of residence (i.e., detached or attached) and square footage of living area. Non-Residential Property is Land Use Class 11. Since fiscal year 2007-08, the City has been able to satisfy the Special Tax Requirement for Facilities each Fiscal Year by levying the Special Tax only on Developed Property in the District.

For any fiscal year, the Maximum Special Tax A for each Assessor's Parcel of Developed Property is equal to the greater of (i) the amount derived by application of the Assigned Special Tax A, or (ii) the amount derived by application of the Backup Special Tax A. The Rate and Method sets forth a schedule of Assigned Special Tax A for each Land Use Class for fiscal year 2007-08. The Rate and Method also identifies four separate Planning Areas within the District and sets forth a schedule of Backup Special Tax A Revenues for each Planning Area for fiscal year 2007-08. On each July 1, commencing July 1, 2008, each of the Assigned Special Tax and the Backup Special Tax increases by an amount equal to two percent of the amount in effect for the previous fiscal year.

"Developed Property" means for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 06-1, which are which are not exempt from the Special Tax pursuant to law or Section F of the Rate and Method.

“*Undeveloped Property*” means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

Exemptions. Up to 18.0 Acres of Property Owner Association Property and 29.5 Acres of Public Property are exempt from the Special Tax levy.

Method of Apportionment of Special Tax. The Special Tax is levied each Fiscal Year as needed to satisfy the Special Tax Requirement for Facilities as follows:

First: The Special Tax is levied Proportionately on each Assessor’s Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax A;

Second: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax is levied Proportionately on each Assessor’s Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax A for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, then the levy of the Special Tax on each Assessor’s Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax A is increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor’s Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax is levied Proportionately on each Assessor’s Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax for Taxable Property Owner Association Property;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax is levied Proportionately on each Assessor’s Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

In Fiscal Year 2025-26, the District levied the Special Taxes at approximately 44% of the Assigned Special Tax. See the caption “THE DISTRICT—Special Tax Levy.”

Notwithstanding the fact that the Rate and Method specifies a higher maximum Special Tax rate, in accordance with Section 53321(d) of the Government Code, under no circumstances will the Special Tax levied against any Assessor’s Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than 10% as a consequence of delinquency or default by the owner of any other Assessor’s Parcel. See “SPECIAL RISK FACTORS – Insufficiency of Special Taxes.”

Prepayment of Special Taxes. The owner of a parcel of Taxable Property for which a building permit has been issued may voluntarily prepay the Special Tax obligation for such parcel in whole or in part at certain times as permitted by the Rate and Method. Such a prepayment of Special Taxes will result in a redemption of Bonds. See “Prepayment of Special Taxes” and “THE BONDS—Redemption— Extraordinary Redemption of the Bonds from Special Tax Prepayments.” No Special Tax Prepayment shall be allowed unless the amount of Maximum Special Tax A that may be levied on Taxable Property (excluding any Taxable Property Owner Association Property and Taxable Public Property) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds. Since the formation of the District, there has not been any prepayment of Special Taxes by the property owners in the District. While the City has not undertaken to inquire, and makes no representation regarding, whether any current owner of a Taxable Property in the District intends to make a prepayment of Special Taxes, the City has not received any notice from current owners of properties in the District regarding any such intention to prepay Special Taxes.

The Special Tax shall not be levied on Developed Property or Undeveloped Property after Fiscal Year 2046-2047.

See Appendix E for further information with respect to the apportionment of Special Taxes.

No Teeter Plan

The Board of Supervisors of the County of Orange has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State. As a result of the implementation of the Teeter Plan by the County of Orange, the County of Orange apportions secured property taxes and assessments on an accrual basis when due (irrespective of actual collections) to participating local political subdivisions for which the County of Orange acts as the levying or collecting agency. The District does *not* participate in the Teeter Plan. As a result, the collection of Special Taxes is subject to delinquency risk. As further described under the caption “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” and “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays,” delinquencies in the payment of Special Taxes could have an adverse effect on the District’s ability to make timely debt service payments on the Bonds and any Parity Bonds. Conversely, the District will benefit from Special Taxes generated by penalties and interest charged on delinquent Special Taxes.

See Table 6 under the caption “THE DISTRICT—Delinquency History” for historical delinquency information with respect to the District for the last five Fiscal Years.

Covenant to Foreclose

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a landowner’s failure to pay the Special Taxes when due are included within the Special Taxes from which principal of and interest on the Bonds and any Parity Bonds are paid under the Indenture.

Pursuant to Section 53356.1 of the CFD Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the CFD Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory.

However, the District has covenanted in the Indenture to commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$10,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and to diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided, however, that the District is not required to undertake any such foreclosure proceedings if: (i) the amount of Special Taxes collected by the October 1 for the most recent Fiscal Year was equal to 95% or more of the total Special Tax levied in such Fiscal Year; and (ii) the amount on deposit in the Reserve Account and any reserve account established in connection with the issuance of such Parity Bonds as of October 1 was at least equal to the Reserve Requirement.

The City is authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel and costs and expenses of the City (including a charge for City staff time) in conducting foreclosure proceedings will be Administrative Expenses under the Indenture.

Notwithstanding any provision of the CFD Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

(a) The District or the Trustee is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Special Tax Fund or otherwise be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the CFD Act or such lesser amount as determined under clause (b) below or otherwise under Section 53356.6 of the CFD Act. Notwithstanding anything to the contrary in the Indenture, in no event will the Trustee be required to undertake foreclosure proceedings thereunder.

(b) The 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 CFD Act, if it determines that such sale is in the interest of the Bond owners. The Bond owners, 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 CFD Act), and release the District, its officers and its agents from any liability in connection therewith.

(c) The District is expressly authorized to use amounts in the Special Tax Fund to pay costs of foreclosure of delinquent Special Taxes.

(d) The District may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the District, so long as the District determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds under the Indenture.

The District covenants that it will deposit the net proceeds of any foreclosure to the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal of and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account, if any, up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

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

No Parity Bonds Except for Refunding Purposes

The District has covenanted in the Indenture that, except as described below, it will not issue any other obligations payable, as to principal or interest, from the Net Taxes which have, or purport to have, any lien upon the Net Taxes superior to or on a parity with the lien of the Bonds, other than Parity Bonds. Under the Indenture, the District may at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding and the conditions precedent in

the Indenture are satisfied, including the requirement that the issuance of such Parity Bonds will result in a reduction of Annual Debt Service on the Bonds and any Parity Bonds to be Outstanding following the issuance of such Parity Bonds.

See Appendix A under the caption “DEFEASANCE AND PARITY BONDS—Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness” for a description of the conditions under which Parity Bonds may be issued.

Priority of Lien

The Special Taxes levied within the District, and each installment thereof and any interest and penalties thereon, constitute a lien against each of the respective parcels within the District until the same are paid. There are other liens for special taxes and the recurring lien for general property taxes on parcels within the District. See the captions “THE DISTRICT—Direct and Overlapping Debt” and “SPECIAL RISK FACTORS—Direct and Overlapping Debt.”

No Obligation of the City Upon Delinquency

The City is under no obligation to transfer any funds of the City into the Special Tax Fund for the payment of the principal of or interest on the Bonds or any Parity Bonds if a delinquency occurs in the payment of any Special Taxes. See the caption “—Covenant to Foreclose” for a discussion of the District’s obligation to foreclose Special Tax liens upon delinquencies.

Prepayment of Special Taxes

A property owner may prepay its Special Taxes and thereby cause a partial redemption of the Bonds and any Parity Bonds. See the captions “THE BONDS—Redemption—Extraordinary Redemption of the Bonds from Special Tax Prepayments” and “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments.”

BOND INSURANCE

The information under this caption has been prepared by the Insurer for inclusion in this Official Statement. None of the District, the City or the Underwriter has reviewed this information, nor do the District, the City or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not a complete summary of the terms of the Policy and reference is made to Appendix G for a specimen of the Policy.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“**Insurer**” or “**AG**”) will issue its Municipal Bond Insurance Policy (the “**Policy**”) for the Bonds maturing on October 1 of the years 20__ through 20__,* inclusive (collectively, the “**Insured Bonds**”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

* Preliminary, subject to change

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On July 10, 2024, Moody’s announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG. At March 31, 2026:

- The policyholders’ surplus of AG was approximately \$3,158 million.
- The contingency reserve of AG was approximately \$1,539 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,402 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8 K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100) Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

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

THE DISTRICT

General

The District is located in the northwestern portion of the City, adjacent to the City of Anaheim, west of Glassell Avenue and north of Lincoln Avenue. A portion of the boundary of the District runs along the bank of the Santa Ana River. The District is part of an area known as the Riverbend community. The District is fully built out. The District includes approximately 73.64 gross acres, within which there are approximately 43 acres of developed single family residential properties (comprising 597 taxable parcels), a 10.5 acre public sports park, six acres of bio-swale area and 13.5 acres of public streets. The District was formed in December 2006.

The District was formed by the City pursuant to the CFD Act and constitutes a governmental entity separate and apart from the City. The CFD Act was enacted by the California legislature to provide an

alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the CFD Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the CFD Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

The residential properties in the District were constructed by two builders: Lennar Homes of California (“Lennar”) and Centex Homes (“Centex Homes”). The initial master developer of the District, North Orange Del Rio, LLC (affiliated with SunCal Companies), sold the developable land in the District in 2006 and 2007 to an entity jointly owned by Lennar and Centex Homes, which subsequently transferred the land to Lennar and Centex Homes, respectively. Lennar and Centex Homes developed the residences in six tracts, consisting of a total of 597 units. The land within the District is fully developed and the 597 units constitute the entirety of the taxable property subject to the lien of the Special Tax. Since the formation of the District, no homes have fully prepaid their Special Taxes nor has any home partially prepaid the Special Taxes.

Debt Service Coverage

The Rate and Method provides for the levy of annual Special Taxes against each parcel that is no higher than the Maximum Special Tax under the Rate and Method as escalated in each year. For fiscal year 2025-26, approximately 44% of the Maximum Special Tax is being levied against each parcel of Taxable Property. Assuming the refunding described in this Official Statement, the Maximum Special Tax A will be approximately 2.47* times annual debt service on the Bonds. The actual amount of Special Tax that will be levied against each parcel in each year will be determined in accordance with the Rate and Method, and the aggregate amount of Special Taxes that will be levied in each year will be equal to the lesser of the Special Tax Requirement for Facilities and the total Maximum Special Tax for such year. See APPENDIX E — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

All of the Taxable Property within the District is classified as Residential Property. The Special Tax on any residential property is limited to an increase of 10% for delinquencies under Section 53321 of the Act as applied to the District. That section provides that under no circumstances will the special tax levied in any fiscal year against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. “SPECIAL RISK FACTORS –Insufficiency of Special Taxes.”

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* Preliminary, subject to change.

Historical Assessed Values

The following table sets forth assessed values within the District for the current and prior seven Fiscal Years.

**TABLE 4
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
SECURED ASSESSED VALUATION
FISCAL YEARS 2018-19 THROUGH 2025-26**

<i>Fiscal Year Ending June 30</i>	<i>Land</i>	<i>Structure</i>	<i>Total</i>	<i>% Change in Total Secured Assessed Value</i>	<i>Number of Developed Parcels</i>
2019	\$141,326,127	\$172,218,873	\$313,545,000	3.06%	597
2020	148,643,296	175,571,972	324,215,268	3.40	597
2021	153,766,894	179,364,866	333,131,760	2.75	597
2022	159,382,513	181,734,646	341,117,159	2.40	597
2023	168,472,638	185,119,297	353,591,935	3.66	597
2024	179,965,086	190,326,778	370,291,864	4.72	597
2025	185,799,849	194,596,390	380,396,239	2.73	597
2026	192,107,586	199,214,451	391,322,037	2.87	597

Source: Orange County Secured Roll, compiled by Willdan Financial Services.

Major Property Ownership

According to the County’s records as of January 1, 2025, no single property owner in the District is responsible for more than one percent of the total Special Tax levy in the District in fiscal year 2025-26, and only 6 individuals appear to be an owner or co-owner of the more than one property in the District: two property owners own three parcels each and four property owners own two parcels each. The properties owned by such individuals collectively represent less than 2.5% percent of the total fiscal year 2025-26 special tax levy.

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Special Tax Levy

The table below summarizes the Assigned Special Tax A, the projected Special Tax A and projected total Special Tax levy for each class of Residential Property for Fiscal year 2026-27, based on the scheduled principal and interest expected to be due with respect to the Bonds.

**TABLE 5
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
ASSIGNED SPECIAL TAX A, PROJECTED SPECIAL TAX A AND TOTAL PROJECTED LEVY FOR FISCAL YEAR 2026-27⁽³⁾**

<i>Land Use Class</i>	<i>Description</i>	<i>Residential Floor Area (square feet)</i>	<i>Number of Parcels</i>	<i>Assigned Special Tax A per Parcel⁽¹⁾</i>	<i>Projected Special Tax A per Parcel^{(2)*}</i>	<i>Total Projected Special Tax A Levy*</i>
1	Single Family Detached Property	≥ 2,400	21	\$ 8,193.10	\$ 3,353.91	\$ 70,432.09
2	Single Family Detached Property	2,200 - 2,399	62	7,208.30	2,950.77	182,947.97
3	Single Family Detached Property	2,000 - 2,199	102	7,129.62	2,918.57	297,693.67
4	Single Family Detached Property	1,800 - 1,999	38	6,593.52	2,699.11	102,566.13
5	Single Family Detached Property	1,600 - 1,799	47	6,407.04	2,622.77	123,270.27
6	Single Family Detached Property	1,400 - 1,599	61	5,515.48	2,257.80	137,726.08
7	Single Family Detached Property	< 1,400	25	5,164.38	2,114.08	52,851.98
8	Single Family Attached Property	≥ 1,700	101	5,581.04	2,284.64	230,748.85
9	Single Family Attached Property	1,500 - 1,699	95	5,023.08	2,056.24	195,342.50
10	Single Family Attached Property	< 1,500	<u>45</u>	4,162.10	1,703.79	<u>76,670.46</u>
Total			597			\$ 1,470,250.00

* Preliminary, subject to change.

(1) Pursuant to the Rate and Method, the Assigned Special Tax A Rate increases on July 1 of each year by two percent of the amount in effect for the prior fiscal year.

(2) Estimated based on principal and interest due with respect to the Bonds, plus \$30,000 Administrative Expenses.

(3) The actual Special Tax A levy will be established in an amount sufficient to pay Debt Service and Administrative Expenses, to cover estimated delinquencies, and to cover other amounts required under the Indenture.

Source: Willdan Financial Services.

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Delinquency History

The table below summarizes the historical Special tax levies and delinquencies for the District for the current and last five Fiscal Years.

**TABLE 6
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
SPECIAL TAX LEVY, DELINQUENCY AND COLLECTION
FISCAL YEARS 2020-21 THROUGH 2024-25⁽¹⁾**

<i>Fiscal Year</i>	<i>Special Tax Levy</i>	<i>Special Tax Collection as of June 30 of each Fiscal Year</i>	<i>Delinquencies as of June 30 of each Fiscal Year^{(1) (2)}</i>	<i>Delinquency Rate as of June 30 of each Fiscal Year</i>	<i>Amount Collected as of May 3, 2026</i>	<i>Remaining Delinquencies as of May 3, 2026⁽²⁾</i>	<i>Remaining Delinquency Rate as of May 3, 2026</i>
2020-2021	\$1,411,928.88	\$1,397,499.41	\$14,429.47	1.02%	\$1,411,928.88	\$0.00	0.00%
2021-2022	1,441,913.96	1,426,045.46	15,868.50	1.10	1,441,913.96	0.00	0.00
2022-2023	1,472,082.86	1,464,262.95	7,819.91	0.53	1,472,082.86	0.00	0.00
2023-2024	1,499,065.10	1,491,916.03	7,149.07	0.48	1,499,065.10	0.00	0.00
2024-2025	1,528,304.98	1,518,332.28	9,972.70	0.65	1,528,304.98	0.00	0.00
2025-2026	1,559,101.32	N/A	N/A	N/A	1,538,385.62	20,715.70	1.33

⁽¹⁾ Amount delinquent as of June 30 in the fiscal year in which the Special Taxes were levied.

⁽²⁾ Amount does not include any penalties, interest or fees.

Source: Orange County Tax Collector, as compiled by Willdan Financial Services.

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Direct and Overlapping Debt

Set forth below is the statement of direct and overlapping debt (the “**Debt Report**”) for the District which excludes the issuance of the Bonds and the refunding of the 2015 Bonds. The table indicates that the assessed value of the developed property within the District is \$391,322,037 for Fiscal Year 2025-26. The Debt Report has been derived from data assembled and reported to the District by Willdan Financial Services. None of the District, the City or the Underwriter has independently verified the information in the Debt Report, and such parties do not guarantee its completeness or accuracy.

**TABLE 7
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
DIRECT AND OVERLAPPING DEBT
AS OF MARCH 1, 2026**

2025-26 Local Secured Assessed Valuation: \$391,322,037

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/15</u>
Metropolitan Water District General Obligation Bonds	0.009%	\$ 1,473
Rancho Santiago Community College District General Obligation Bonds	0.367	394,892
Orange Unified School District General Obligation Bonds	0.786	2,157,406
Orange Unified School District Community Facilities District No. 2005-2	100.000	4,305,000
City of Orange Community Facilities District No. 06-1	100.000	18,795,000⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 25,653,771

Ratios to Assessed Valuation:

Direct Debt (\$18,795,000)..... **4.80%**
 Total Direct and Overlapping Tax and Assessment Debt 6.56%

⁽¹⁾ Represents 2015 Bonds to be refunded.
 Source: California Municipal Statistics, Inc.

Estimated Average Effective Tax Rate

The effective tax rate of a parcel of property in the District is likely to be different from the effective tax rate of another parcel in the District. The difference is attributable to a number of factors, including, but not limited to, the assessed value of the particular property. The table below sets forth the Fiscal Year 2025-26 tax rate for one parcel with a single family detached home and one parcel with a single family attached home in the District. The 2025-26 secured assessed value of one of the two parcels was \$739,587. That parcel falls under Land Use Class 3 (single family detached property with Residential Floor Area between 2,000 and 2,199 square feet) under the Rate and Method. The 2025-26 secured assessed value of the other parcel was \$617,688. That parcel falls under Land Use Class 8 (single family attached property with Residential Floor Area of 1,700 or more square feet) under the Rate and Method.

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TABLE 8
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
TAX RATES FOR TWO SAMPLE SINGLE FAMILY DETACHED RESIDENCE
FISCAL YEAR 2025-26

<u>Assessed Valuations and Property Taxes</u>	<i>Parcel 1⁽¹⁾</i>	<i>Parcel 2⁽²⁾</i>	
Total Secured Assessed Value	\$ 708,655	\$ 624,688	
Less: Homeowner Exemption	<u>(7,000)</u>	<u>(7,000)</u>	
Net Assessed Value⁽³⁾	\$ 701,655	\$ 617,688	
<u>Ad Valorem Property Taxes</u>	<i>Rate</i>	<i>Amount</i>	<i>Amount</i>
Basic Levy Rate	1.00000%	\$ 7,016.55	\$ 6,176.88
Rancho Santiago Com	0.02746%	192.67	169.61
Orange Unified	0.02485%	174.36	153.50
Metro Water D-MWDOC	0.00700%	<u>49.12</u>	<u>43.24</u>
Total Ad Valorem Property Taxes		\$ 7,432.70	\$ 6,543.23
<u>Special Assessment Charges</u>			
Vector Control District Charge		\$ 1.92	\$ 0.67
Mosquito, Fire Ant and Disease Control Assessment		9.06	5.44
Metropolitan Water District Water Standby Charge		10.08	10.08
Orange County Sanitation Regional Sewer Fee		384.00	384.00
Orange Unified School District CFD No. 2005-2		877.64	689.91
City of Orange CFD No. 06-1 Special Tax A⁽⁴⁾		2,918.57	2,284.64
City of Orange CFD No. 06-1 Special Tax B ⁽⁵⁾		<u>210.76</u>	<u>165.85</u>
Total Special Assessment Charges		\$ 4,412.02	\$ 3,540.59
Total Property Taxes and Assessment Charges		\$ 11,844.73	\$ 10,083.82
Tax rate as % of secured assessed value		1.688%	1.633%

(1) Land Use Class 3 (single family detached property with Residential Floor Area between 2,000 and 2,199 square feet) under the Rate and Method.

(2) Land Use Class 8 (single family attached property with Residential Floor Area greater than 1,700 square feet) under the Rate and Method.

(3) Net secured assessed value reflects total assessed value for the parcel net of homeowner's exemption. Not all residences applied or qualified for the exemption.

(4) See Table 5 for the estimated Fiscal Year 2026-27 Special Tax A levy for these parcels, which are expected to be lower than the Fiscal Year 2025-26 because of the refunding described herein.

(5) The City, on behalf of the District, levies Special Tax B to fund services authorized to be financed by the District. See "APPENDIX E — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES". The fiscal year 2025-26 Special Tax B was levied at rates significantly below the Maximum Special Tax B rates permitted under the Rate and Method. The City is currently evaluating the level of funding needed for relevant services and, with this, is considering the potential levy of Special Tax B in the future at rates higher than those for fiscal year 2025-26. Proceeds from the levy of Special Tax B are neither pledged to secure, nor available to pay, the Bonds.

Source: Orange County Tax Collector, as compiled by Willdan Financial Services.

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Estimated Assessed Value-to-Lien Ratios

As shown in Tables 7 and 8, taxable properties in the District are also subject to special taxes levied by the Orange Unified School District (“OUSD”), on behalf of OUSD’s Community Facilities District No. 2005-1 (“OUSD CFD 2005-2”). The District Administrator is not aware of any other community facilities district or assessment district formed by other agencies that have areas overlapping the District. The following table shows, with respect to Taxable Property in the District after the issuance of the Bonds: (i) the ratio of total secured assessed value to Special Tax burden, and (ii) the ratio of the total secured assessed value to combined bonded debt of the District and the OUSD CFD 2005-2. SPECIAL RISK FACTORS—Direct and Overlapping Debt.”

**TABLE 9
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
SECURED ASSESSED VALUE TO SPECIAL TAX A BURDEN RATIO AND SECURED ASSESSED VALUE TO COMBINED
COMMUNITY FACILITIES DISTRICTS BONDED DEBT BURDEN RATIO BASED ON FISCAL YEAR 2025-26 SECURED ASSESSED
VALUE***

<i>Total Secured Assessed Value⁽¹⁾</i>	<i>The Bonds^{(2)*}</i>	<i>Secured Assessed Value to Special Tax A Burden Ratio</i>	<i>OUSD CFD 2005-2 Debt Burden⁽³⁾</i>	<i>Combined Special Tax A and OUSD CFD 2005-2 Bonded Debt⁽⁴⁾</i>	<i>Secured Assessed Value to Combined Special Tax A and OUSD CFD 2005-2 Debt Burden Ratio</i>
\$391,322,037	\$16,005,000	24.45	\$4,305,000	\$20,310,000	19.27

* Preliminary, subject to change.

(1) Based on 2025-26 County of Orange Secured Tax Roll.

(2) Equals the principal amount of the Bonds.

(3) Based on information provided by California Municipal Statistics, Inc. See Table 7.

(4) Equals to sum of “Special Tax A Burden” and “OUSD CFD 2005-2 Debt Burden”.

Source: Willdan Financial Services.

In comparing the aggregate assessed value of the real property within the District and the principal amount of the Bonds, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. The principal amount of the Bonds are not allocated pro rata among the parcels within the District. The total Special Taxes are allocated among the parcels within the District according to the Rate and Method. See “SECURITY FOR THE BONDS - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The following table shows the estimated assessed value to lien ratios by aggregating parcels within given ranges of ratios, based on the principal amount of the Bonds and the outstanding principal amount of the OUSD CFD 2005-2 bonded debt as shown in Table 7.

**TABLE 10
CITY OF ORANGE COMMUNITY FACILITIES DISTRICT NO. 06-1
(DEL RIO PUBLIC IMPROVEMENTS)
DISTRIBUTION OF 2025-26 SECURED ASSESSED VALUE TO LIEN RATIOS***

<i>Estimated Secured Assessed Value to Lien Ratio⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Fiscal Year 2025-26 Secured Assessed Value⁽¹⁾</i>	<i>Projected Fiscal Year 2026-27 Special Tax A Levy^{(2)*}</i>	<i>% of Total Levy*</i>	<i>Special Tax A Burden based on 2026 Bonds^{(3)*}</i>	<i>OUSD CFD 2005-2 Bonded Debt Burden⁽⁴⁾</i>	<i>Combined Special Tax and OUSD CFD 2005-2 Debt Burden^{(5)*}</i>
25:1 or Greater	65	\$ 52,100,178	\$ 138,951	9.45%	\$ 1,512,607	\$ 383,225	\$ 1,895,832
20:1 to 24.99:1	163	110,916,427	372,741	25.35	4,057,624	1,052,027	5,109,651
15:1 to 19.99:1	318	201,668,628	819,994	55.77	8,926,376	2,453,873	11,380,249
10:1 to 14.99:1	<u>51</u>	<u>26,636,804</u>	<u>138,564</u>	<u>9.42</u>	<u>1,508,394</u>	<u>415,874</u>	<u>1,924,268</u>
Total ⁽⁶⁾	597	\$ 391,322,037	\$ 1,470,250	100.00%	\$ 16,005,000	\$ 4,305,000	\$20,310,000

* Preliminary, subject to change.

(1) Based on combined refunding bonds and OUSD CFD 2005-2 debt burden.

(1) Based on 2025-26 County of Orange Secured Tax Roll.

(2) Estimated based on principal and interest expected to be due with respect to the Bonds, plus administrative expenses.

(3) Total equals to sum of the principal amount of the Bonds.

(4) Based on information provided by California Municipal Statistics, Inc. See Table 7.

(5) Equals to sum of "Special Tax A Burden based on 2026 Bonds" and "OUSD 2005-2 Bonded Debt Burden".

(6) Total may not foot due to rounding.

Source: Willdan Financial Services.

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THE CITY OF ORANGE

The following information relating to the City is included only for the purpose of supplying general information regarding the City. Neither the faith and credit nor taxing power of the City have been pledged to the payment of the Bonds and the Bonds will not be payable from any of City's revenues or assets.

The City is located in the north-central portion of Orange County (the "County"), California, approximately 32 miles southeast of Los Angeles and 94 miles north of San Diego. Incorporated on April 6, 1888 as a general law city, the City currently functions under a Council/Manager form of government. A five member City Council, including the Mayor, is elected at large. According to State of California Department of Finance estimates, the City has a population of approximately 139,724 as of January 1, 2025.

The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing day-to-day City operations, and appointing the heads of various departments. The City Council is elected on a non-partisan basis. See Appendix F for certain demographic and economic information regarding the City.

SPECIAL RISK FACTORS

There are certain risks associated with the purchase of the Bonds and the following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of the risks and other considerations which 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. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the Bonds.

The Bonds are Limited Obligations of the District

The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City's or the District's property or upon any of the City's or the District's income, receipts or revenues, except the amounts pledged under the Indenture. Funds for the payment of the principal of and the interest on the Bonds are derived only from annual payments of Special Taxes. The amount of annual installments of Special Taxes that are collected could be insufficient to pay principal of and interest on the Bonds due to non-payment of such Special Taxes levied or due to insufficient proceeds received from a judicial foreclosure sale of land within the District following delinquency. The District's legal obligations with respect to any delinquent Special Taxes are limited to: (1) payments from the Reserve Account to the extent of funds and instruments on deposit therein; and (2) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption "SECURITY FOR THE BONDS—Covenant to Foreclose." The Bonds cannot be accelerated in the event of any default.

The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to such liens. Enforcement of Special Tax payment obligations by the District is limited to judicial foreclosure in the Superior Court of California, County of Orange. There is no assurance that any current or subsequent owner of a parcel that is subject to a Special Tax lien will be able to pay the amounts due or that such owner will choose to pay such amounts even though financially able to do so.

The Special Taxes are Not Personal Obligations of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel

is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the owner and its only remedy is to pursue judicial foreclosure on the delinquent parcel. See the caption “SECURITY FOR THE BONDS—Covenant to Foreclose.”

Potential Early Redemption of Bonds from Prepayments

Property owners within the District are permitted to prepay their Special Taxes at any time, and many owners have previously done so. Any additional prepayments of Special Taxes which are made after the date of issuance of the Bonds will result in a redemption of Bonds on the first April 1 or October 1 which is more than 30 days following the receipt of the prepayment. See the caption “THE BONDS—Redemption—Extraordinary Redemption of the Bonds from Special Tax Prepayments.” The resulting extraordinary redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds.

Risks of Real Estate Secured Investments Generally

The Bond owners 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 District, the supply of or demand for competitive properties in such area, and the market value of comparable residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and laws relating to threatened and endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that individual homeowners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels. Moreover, because assessed values do not necessarily indicate fair market values, decreases in fair market values may be even greater than decreases in assessed valuations, which could reduce the amount that can be raised to cover unpaid Special Taxes from a judicial foreclosure and sale of a delinquent parcel.

Concentration of Ownership

No single individual owner of residential property owns more than 3 parcels or will be responsible for more than 1% of the Special Taxes levied within the District in Fiscal Year 2026-27, with the two largest property owners each responsible for .43% of the Special Taxes estimated to be levied within the District in Fiscal Year 2026-27. See the caption “THE DISTRICT—Major Property Ownership.” However, there may be subsequent transfers of ownership of the property within the District. Failure of the owners of property to pay the annual Special Taxes when due could result in a default in payments of the principal of and interest on the Bonds when due. Such risk may be greater or its consequence more severe when ownership is concentrated and may be expected to decrease as ownership is diversified.

Insufficiency of Special Taxes

Although the maximum amount of Special Taxes that may be levied in the District exceeds debt service due on the Bonds, the Special Taxes that are actually collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation as permitted in the Rate and Method.

As discussed under the caption “SECURITY FOR THE BONDS—No Teeter Plan,” the Teeter Plan is not available for community facilities districts such as the District. The collection of Special Taxes is therefore

subject to the risk of delinquency, while the District is also generally entitled to collect penalties and interest on delinquent Special Taxes.

In the event of significant delinquencies in the District causing a default in payment of debt service on the Bonds and depletion of all amounts and instruments on deposit in the Reserve Account, there would not be sufficient Net Taxes to pay the full amount of annual debt service on the Bonds until the delinquent Special Taxes were collected through foreclosure action or otherwise. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of potential delays in foreclosure actions.

The CFD Act provides that, if any property within the District which is not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the CFD Act provides that, if property which is 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 and be paid from the eminent domain award. The constitutionality and operation of these provisions of the CFD Act have not been tested in the courts.

If for any reason property which is subject to the Special Tax becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government, or another public agency that asserts immunity from the Special Tax, subject to the limitation of the maximum Special Tax rates, the Special Taxes will be reallocated to the remaining properties within the District. This would result in the owners of such properties paying a greater amount of the Special Tax and could have an adverse effect on the timely payment of the Special Tax. Due to the problems of collecting taxes from public agencies, if a substantial portion of land within the District were to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due, and a default could occur with respect to the payment of such principal and interest. See the captions “—FDIC/Federal Government Interests in Properties” and “—Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation (the “**FDIC**”) regarding the payment of special taxes and assessments and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

The annual levy of Special Taxes 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 that might be available include moneys and reserve fund surety policies or similar instruments deposited in the Reserve Account, 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.

In addition, the District may not be able to levy the Special Tax up to the maximum authorized rates. Pursuant to Section 53321(d) of the Government Code of the State, 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 the 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. Consequently, although the maximum Special Tax prescribed by the Rate and Method could be materially higher than the expected Special Tax levy in a given year, the Special Tax levy cannot be increased for residential property by more than 10% in such year.

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

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 (although not in the District), taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and bonds issued by the community facilities district.

Under provisions of the CFD Act, the Special Taxes are to be billed to the properties within the District that were entered on the Assessment Roll of the County of Orange Assessor by January 1 of the previous Fiscal Year. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. The 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 may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See the caption “SECURITY FOR THE BONDS—Covenant to Foreclose” for a discussion of the provisions that apply, and the procedures that the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Non-Cash Payments of Special Taxes

Under the CFD Act, the City Council of the City, as the legislative body of the District, may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Taxes applicable thereto by tendering a Bond. Such a practice would decrease the cash flow available to the District to make payments with respect to other Bonds then outstanding; and, unless the practice was limited by the District, the Special Taxes paid in cash could be insufficient to pay the debt service due with respect to such other Bonds.

The District has covenanted in the Indenture that it will not adopt any policy pursuant to Section 53341.1 of the CFD Act permitting the tender of Bonds in full or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds when due.

Bankruptcy and Foreclosure Delays

Bankruptcy, insolvency and other laws generally affecting creditors’ rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners’ taxes and the ability of the District to foreclose the lien of delinquent unpaid Special Taxes pursuant to its covenant to pursue judicial foreclosure proceedings set forth in the Indenture (see the caption “SECURITY FOR THE BONDS—Covenant to Foreclose”) may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights (including the Soldiers and Sailors Civil Relief Act of 1940, which is discussed below) or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed for many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the United States Bankruptcy Code might prevent moneys on deposit in the Special Tax Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Although a bankruptcy proceeding would not cause the lien of the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be reduced or modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by a bankruptcy court. In addition, the bankruptcy of a property owner could result in a stay of enforcement or other delay in procuring Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Special Taxes. If enough parcels were involved in bankruptcy proceedings, court delays 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 tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeal, Ninth Circuit (the “**Ninth Circuit**”), issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries* (“*Glasply*”). In that case, the Ninth Circuit 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. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 included a provision which excepts from the United States Bankruptcy Code’s automatic stay provisions, “the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court].” This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as “administrative expenses,” rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the Ninth Circuit’s ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had 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 CFD 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 Special Taxes (which are not *ad valorem* taxes) levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent with respect to *ad valorem* taxes was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

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, including the Bonds, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

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

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, the Drug Enforcement Administration, the Internal Revenue Service (the “**IRS**”) or other federal agencies such as the Federal National Mortgage Association (“**FNMA**”) has or obtains an interest.

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

The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the 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 that is sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* 597 F.2d 174 (9th Cir. 1979), the Ninth Circuit held that FNMA is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see the caption “—Insufficiency of Special Taxes.”

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “**Policy Statement**”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent that 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 neither 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 that it purports to secure the payment of any such amounts. Special taxes imposed under the CFD Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from CFD Act special taxes. With respect to property in the State that is owned by the FDIC on January 9, 1997 and that was owned by the Resolution Trust Company (the "RTC") on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the CFD Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes from being foreclosed at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Account and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Direct and Overlapping Debt

Neither the City nor the District have control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the District which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property within the District. Other public agencies may issue additional indebtedness on property within the District at any time. Furthermore, nothing prevents the owners of property within the District from consenting to or petitioning for the issuance of additional debt by other governmental agencies which would be secured by taxes on a parity with the Special Taxes or assessments which would be subordinate to the Special Taxes. Such consent may occur without the knowledge of the City or the District. To the extent that such indebtedness is payable from assessments, other special taxes levied pursuant to the CFD Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within the District.

Accordingly, the debt on the property within the District could increase, without any corresponding increase in the value of the property therein. The imposition of such additional indebtedness could reduce the value-to-lien ratio of property in the District and the willingness and ability of the property owners within the District to pay the Special Taxes when due. See the caption "—Cumulative Burden of Parity Taxes and Special Assessments." 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 property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See the caption "—Land Values."

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The District has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder of the County of Orange against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The CFD 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 that is subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. Section 1102.6b of the Civil Code of the State 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.

Shapiro Decision

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the “Court”), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD was a financing district established under the City of San Diego’s charter (the “Charter”) and was intended to function much like a community facilities district established under the provisions of the CFD Act. The CCFD was comprised of all of the real property in the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the CFD Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote will be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election did not comply with applicable requirements of Article XIII A, Section 4, and Article XIII C, Section 2, of the State Constitution, or with applicable provisions of the Charter, because the electors in such an election were not the registered voters residing within the district.

In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (*viz.*, all of the registered voters in the City of San Diego). In the case of the District, there were no registered voters within the District at the time of the elections to authorize the Special Tax levy for the District. In the *Shapiro* decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the CFD Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the special tax election in the District. Moreover, Section 53341 of the CFD Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the CFD Act provides that any action to determine the validity of bonds issued pursuant to the CFD Act or the levy of special taxes authorized pursuant to the CFD Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the Special Tax and the issuance of bonds for the District in compliance with all applicable requirements of the CFD Act at the time of formation of the District in 2013. Therefore, under the provisions of Sections 53341 and 53359 of the CFD Act, the statute of limitations period to challenge the validity of the Special Tax for the District has expired.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, high winds, wildfires and urban fires, landslides and slope failures, or flooding in the event of unseasonable rainfall or other natural disasters.

Seismically induced ground shaking has affected Orange County in the past and is expected to affect Orange County in the future. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land that is susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The City's coastal and canyon bluffs and hillsides can be steep and subject to landslides and slope failures. Potential geologic and soil hazards can be increased by inappropriate development, seismic activity and heavy rains. No faults transect the District. The closest known active faults to the District are the El Modeno fault (approximately 6 to 7 miles distant) and the Peralta Hills Fault (approximately 4 to 5 miles distant).

According to the Federal Emergency Management Agency flood map, the District is in Zone X (shaded), which consists of areas determined to be between 100-year flood plain (1% annual flood risk) and 500-year flood plain (.2% annual flood risk) with moderate flood risk. Property owners within the District are not required to carry flood insurance.

The occurrence of seismic activity, fires, landslides and slope failures, coastal erosion, expansive soils, dam and reservoir failure, act of terrorism or other cause severely damaging property or infrastructure within the District, flooding or other natural disasters in or around the District could result in substantial damage to properties in the District which, in turn, could substantially reduce the value of such properties. As a result of the occurrence of such an event, a substantial portion of the property owners may be unable or unwilling to pay the Special Tax installments when due, and the Reserve Account may eventually become depleted. In addition, the value of land in the District 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 Tax installments.

In recent years, drought conditions in the State have led to increased risk of wildfire. In particular, certain electrical operators in the State have seen their distribution/transmission lines cause billions of dollars in property damage and the loss of lives. In 2023, as in several prior years, for example, devastating wildfires burned in various communities in the State, causing wide-spread damage. In 2025, communities in Los Angeles County, including Pacific Palisades, Malibu and Altadena (the "**Palisades Fire**"), experienced widespread devastation from wildfires causing losses of life, thousands of burned homes, and billions of dollars in property damage. Orange County is also periodically subject to large-scale wildfires and is expected to be subject to wildfires in the future. In recent years, wildfires have burned hundreds of acres at a time and destroyed dozens of homes and structures in Orange County. The City is situated in a wildland urban interface, an area where development meets undeveloped wildland.

On March 24, 2025, CAL FIRE released an updated Fire Hazard Severity Zone ("FHSZ") map for the Southern California region. This map evaluates "Hazard," defined as the likelihood and expected fire behavior over a 30 to 50-year period, without considering mitigation measures such as home hardening, recent wildfires, or fuel reduction efforts. Pursuant to Sections 4201-4204 of the California Public Resources Code, the State Fire Marshal is mandated to classify State Responsibility Areas ("SRAs")—where the state has financial responsibility for wildfire protection—into FHSZs categorized as "Moderate," "High," or "Very High." These classifications are based on fuel loading, slope, fire weather, and other relevant factors, including wind-driven wildfire spread patterns. In Local Responsibility Areas ("LRAs"), where local agencies have financial responsibility for wildfire protection, agencies are required to adopt FHSZ maps encompassing all three hazard classes. Following the completion of the SRA mapping process in late 2025, the City completed the local adoption process for its LRA maps in early 2026 to align with the 2025 California Fire Code and the City's updated Local Hazard Mitigation Plan. While areas of the City where development meets undeveloped wildland have historically been subject to high wind-driven wildfire risk, the District's specific classification is determined by the most recent City-adopted FHSZ boundaries. As of May 2026, no portion of the District is located within a FHSZ.

On January 16, 2025, Governor Gavin Newsom issued Executive Order N-10-25 (the "**Governor's Order**"), which canceled penalties, costs and interest on overdue property taxes (including special taxes) within

certain zip codes affected by the Palisades Fire during calendar year 2025. This order resulted in significant delays in the collection of special taxes within impacted community facilities districts. In several instances, these districts were required to draw upon established reserve funds to meet debt service obligations on outstanding special tax revenue bonds. Though the District is not directly impacted by the Governor's Order, in the event of a major fire or other natural disaster affecting the City or the District, a similar order affecting the City or the District in the future could impact the debt service payment for the Bonds.

Property Insurance

In recent years, homeowners in many areas in the State have experienced significant increases in premiums for property and homeowners' insurance policies as well as difficulty in obtaining such insurance from commercial insurance companies. The increases have been driven by, among other factors, the risk of wildfire damage to property in the State.

In addition, no assurances can be made that adequate homeowners' insurance coverage will be available in the future from reputable insurance companies, with premiums comparable to historical rates, or at all. The inability to obtain adequate insurance coverage could impact the ability of the homeowners' in the District to reconstruct their homes in the event of damage.

Land Values

The value of land within the District is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of a Special Tax installment, the District's only remedy is to commence judicial foreclosure proceedings on such property. Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the assessed value described herein at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments, because market values in a foreclosure sale may be less than assessed values. Reductions in property values within the District due to a downturn in the economy or the real estate market, events such as earthquakes, wildfires, droughts or floods, stricter land use regulations, threatened or endangered species or other events may adversely impact the security underlying the liens.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County of Orange Assessor, generally not to exceed an increase of more than 2% per Fiscal Year as limited by Proposition 13, as amended by Proposition 8. Several counties in the State, including the County of Orange, have reassessed certain properties acquired in recent years at the peak of the real estate market. The District cannot predict whether the County of Orange will reduce assessed values within the District in future years. If the County of Orange did decide to broadly reassess recent home transactions in the County of Orange, it is possible that in future years the assessed values which are shown in this Official Statement could be adjusted downward from the values reflected on the current Assessor's Roll. No assurance can be given that current assessed values reflect market values or that a parcel could actually be sold for its assessed value.

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 the District, which is the security for the Bonds. As discussed herein, many factors could adversely affect property values within the District.

Hazardous Substances

A claim with regard to a hazardous substance on a parcel of land subject to any of the Special Taxes can result in a significant potential reduction in the value of the parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous

substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is well known, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition because the prospective purchaser of such a parcel will, upon becoming the owner of such parcel, become obligated to remedy the condition just as the seller of such a parcel is obligated to remedy the condition.

Hazardous substance liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, 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. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel.

While the District is not aware that the owner (or operator) of any of Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the District is not aware of them.

Cumulative Burden of Parity Taxes and Special Assessments

Property within the District is subject to taxes imposed by public agencies that also have jurisdiction over the land within the District. See the caption “THE DISTRICT—Direct and Overlapping Debt.”

The Special Taxes and any penalties thereon constitute a lien against the parcels of land on which they have been levied. Such lien is on a parity with all special taxes or assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes, regardless of when they are imposed upon the same property.

Neither the City nor the District have control over the ability of other entities to issue indebtedness secured by *ad valorem* taxes, special taxes or assessments levied on all or a portion of the property within the District. In addition, the owners of the property within the District may, without the consent or knowledge of the City or the District, petition other public agencies to issue public indebtedness secured by *ad valorem* taxes, special taxes or assessments. The property within the District is subject to a number of overlapping tax and assessment liens, some of which secure outstanding indebtedness. See the caption “THE DISTRICT—Direct and Overlapping Debt.”

California Constitution Article XIIC and Article XIID

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain, among other things, a number of provisions affecting the ability of the District to levy and collect both existing and future taxes, assessments, fees and charges.

Among other things, Section 3 of Article XIIC states that “... the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The CFD 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 CFD 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 CFD 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 Section 5854 of the Government Code of the State, 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 Proposition 218 has not conferred on the voters the power to repeal or reduce Special Taxes if such reduction would interfere with the timely retirement of the Bonds. The provisions of Proposition 218 relating to the exercise of the initiative power have not been interpreted by the courts and no assurance can be given as to the outcome of any such litigation.

It may be possible, however, for voters or the City Council of the City, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, the District has covenanted that it will not modify, alter or amend the Rate and Method in any manner that reduces the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment. The District has further covenanted that, in the event that an initiative is adopted which purports to reduce the maximum Special Taxes that may be levied, the District will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. See the caption “SECURITY FOR THE BONDS—Levy and Collection of Special Taxes.” However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at the current time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See the caption “—Limitations on Remedies.”

No Acceleration

Under the Indenture, the Bonds are not subject to acceleration in the event of payment default. Similarly, there is no provision in the CFD Act or the Indenture for the acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within the District or otherwise.

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 District has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bond owners on a timely basis. See the caption “CONCLUDING INFORMATION—Continuing Disclosure.” The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are

suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Ballot Initiatives

Proposition 218, which is discussed under the caption “—California Constitution Article XIIC and Article XIID,” was adopted pursuant to a measure that qualified for the ballot pursuant to the State’s Constitutional initiative process, and the State Legislature has in the past enacted legislation that has altered the spending limitation or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiative. From time to time, other initiative measures could be adopted by State voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County of Orange or local districts to increase revenues or appropriations or affect the levy or collection of Special Taxes.

Limitations on Remedies

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditors’ rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State. See the captions “—Bankruptcy and Foreclosure Delays,” and “—FDIC/Federal Government Interests in Properties.”

Cybersecurity

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a ransomware attack targeting Los Angeles Unified School District, a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore’s 911 system, an attack on the Colorado Department of Transportation’s computers, an attack that resulted in the temporary closure of the Port of Los Angeles’ largest terminal and an attack on a water treatment facility in Oldsmar, Florida.

The City employs a multi-level cyber protection scheme that includes (but is not limited to) firewalls, anti-virus software, anti-spam/malware software, intrusion protection and domain name system filtering software. The City also contracts with third party vendors to audit, monitor and augment internal monitoring

of the City's computer systems. To date, the City has not experienced an attack on its computer operating systems. However, the City believes that it is well prepared with an extensive disaster recovery plan should an attack occur. The City employs sophisticated on-premise, off-premise and cloud-based disaster recovery systems to support recovery. In addition, the City maintains administrative, technical, and operational safeguards designed to reduce cybersecurity risk and protect City systems and data, including managed network security tools, endpoint protection, multi-factor authentication, employee cybersecurity awareness training, regular software and security patching protocols, data backup and recovery systems, and third-party IT support services. The City also maintains incident response and continuity procedures intended to mitigate operational disruption in the event of a cybersecurity incident. The City also maintains incident response and continuity procedures intended to mitigate operational disruption in the event of a cybersecurity incident. These systems and protocols allow the City to recover quickly if systems are compromised.

The City 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. No assurance can be given that the City may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Bondowners.

While there can be no assurance that a future attack or attempted attack would not result in disruption of City operations, the City expects that these disruptions would be temporary in nature.

Loss of Tax Exemption

General. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the District must comply with the applicable requirements of the Code, and may not 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 thereunder. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Bonds as a result of acts or omissions of the District in violation of this or other covenants in the Indenture. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture.

Federal Tax Law Changes. From time to time, there are legislative proposals in Congress and IRS rulemaking activities that could adversely affect the market value or marketability of the Bonds. It cannot be predicted whether future legislation, rules, regulations or other guidance may be proposed or enacted that would affect the federal tax treatment of interest received on the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any pending or proposed legislation or regulations that would change the federal tax treatment of interest on the Bonds. Risks to the status of federal tax exemption affecting interest on the Bonds are also discussed under "CONCLUDING INFORMATION—Tax Matters" below.

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The City has evaluated the potential effects of climate change on the City in its latest Emergency Planning Program which provides emergency preparedness and administrative services in support of the City and its residents and visitors. The future fiscal impact of climate change on the District and the residents of the District is difficult to predict, but it could be significant and it could have a material adverse effect on the receipt of Special Taxes if property values are affected. See the captions "—Natural Disasters" and "—Land Values."

Risks Associated with Bond Insurance

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

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

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

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

CONCLUDING INFORMATION

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) pursuant to a Bond Purchase Agreement, dated the date hereof (the “**Purchase Agreement**”), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Bonds at a price of \$ _____ (being the aggregate principal amount thereof, plus a net original issue premium of \$ _____ and less an Underwriter’s discount of \$ _____). The Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial offering prices stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

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 City and/or the District and to persons and entities with relationships with the City and/or the 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 City and/or the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City and/or the 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 City and/or the District.

Municipal Advisor

Fieldman, Rolapp & Associates, Inc., Irvine, California (the “**Municipal Advisor**”), served as municipal advisor with respect to the sale of the Bonds. The Municipal Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

Legal Opinion; Legal Matters

The legality of the Bonds and certain other legal matters are subject to the approval of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Bond Counsel will render an opinion with respect to the validity and enforceability of the Bonds and the Indenture, and a copy of the opinion will accompany each Bond. Such opinion will be subject to the various assumptions, exceptions and limitations stated therein. See Appendix B. Certain legal matters will be passed upon for the City and the District by the City Attorney, and by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Disclosure Counsel, for the Underwriter by Anzel Galvan LLP, San Francisco, California, for the Insurer by its counsel and for the Trustee by its counsel. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, Underwriter’s counsel and the Trustee is contingent upon the sale and delivery of the Bonds. Bond Counsel and Disclosure Counsel have from time to time represented the Underwriter in connection with various matters unrelated to the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that, with respect to applicable corporations as defined in Section 59(k) of the Code, generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) on the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State personal income tax.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond.

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

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

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

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

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel's engagement with respect to the Bonds terminates upon their issuance and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

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

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix B.

No Litigation

There is no action, suit, or proceeding pending or, to the best knowledge of the City or the District, threatened at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City or the District taken with respect to the execution or delivery thereof. A no litigation opinion rendered by the City Attorney will be required to be delivered to the Underwriter simultaneously with the delivery of the Bonds.

Ratings

S&P Global Ratings ("S&P") is expected to assign the Insured Bonds the rating of "AA" (stable outlook) based upon the delivery of the Policy by the Insurer at the time of issuance of the Insured Bonds. S&P has assigned the Bonds the underlying rating of "A+" without respect to the delivery of the Policy for the Insured Bonds. There is also no assurance that the criteria required to achieve a rating on the Bonds will not change during the period that the Bonds remain outstanding. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings reflect only the current views and current rating criteria of S&P (which views and rating criteria could change at any time), and an explanation of the significance of such ratings may be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials that are furnished to it (which may include information and material from the City or the District that is not included in this Official Statement) and on investigations, studies and assumptions of its own.

The District has covenanted in the Continuing Disclosure Agreement to file notices of any rating changes on the Bonds on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> ("EMMA"). See the caption "—Continuing Disclosure" and Appendix C. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the City or the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the Bonds are directed to the rating agencies and their respective websites and

official media outlets for the most current ratings with respect to the Bonds after the initial issuance of the Bonds.

The City and the District make no representation as to the Insurer's creditworthiness and no representation that the Insurer's credit rating will be maintained in the future. S&P has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that S&P intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to S&P for additional information on S&P's evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See the caption "BOND INSURANCE" for further information relating to the Insurer.

Continuing Disclosure

The District has covenanted for the benefit of holders and beneficial owners of the Bonds: (1) to provide certain financial information and operating data (the "**Annual Report**") relating to the District and the property in the District not later than each April 1 after the end of the District's Fiscal Year, commencing on April 1, 2027 with the Annual Report for Fiscal Year 2025-26; and (2) to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be timely filed by the District or a dissemination agent appointed by the District with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See Appendix C for the form of the Continuing Disclosure Agreement. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "**Rule**").

It should be noted that the District is required to file certain financial statements with the Annual Report. This requirement has been included in the Continuing Disclosure Agreement solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the District or the City other than as described in this Official Statement. See the captions "SPECIAL RISK FACTORS—The Bonds are Limited Obligations of the District."

In the past five years, the City failed to file certain annual reports and operating data on a timely basis with respect to the City of Orange 2021 Taxable Pension Obligation Bonds (filed 201 days late for Fiscal Year 2021) and the Orange City Public Facilities Financing Authority Lease Revenue Bonds, Series 2020A (with the audit filed 118 days late and certain other financial and operating data filed up to 137 days late for Fiscal Year 2021). With respect to the 2015 Bonds, the audited financial statements were unavailable when the annual report was filed for Fiscal Year 2023 and for Fiscal Year 2024 and such audited financial statements were filed 31 days later and 4 days later, respectively.

Miscellaneous

All of the preceding summaries of the Indenture, applicable legislation, agreements and other documents are made subject to the provisions of such documents and legislation and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been authorized by the members of the City Council of the City, as the legislative body of the District.

**CITY OF ORANGE COMMUNITY FACILITIES
DISTRICT NO. 06-1 (DEL RIO PUBLIC
IMPROVEMENTS)**

By: _____
City Manager of the City of Orange

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of selected provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture. Purchasers of the Bonds are referred to the complete text of the Indenture, copies of which are available upon request from the Trustee.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings:

“Account” means any account created pursuant to the Indenture.

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

“Administrative Costs” means reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, reasonable fees and expenses of the Insurer’s agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Indenture and any other document executed in connection with the Bonds.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by the City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District under the Indenture.

“Administrative Expense Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Administrative Expenses Cap” means an amount equal to \$30,000 for the first Bond Year, increasing by 2% per annum for each subsequent Bond Year, or such lesser amount as may be designated in written instructions from an Authorized Representative of the City.

“Alternative Credit Instrument” has the meaning given for such term as provided in the Indenture.

“Alternative Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

“Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

“Authorized Representative of the City” means the Mayor, the City Manager, the City Treasurer, the Assistant City Manager and the Financial Services Officer of the City or any other officer or employee of the

City authorized by the City Council or by an Authorized Officer to undertake the action referenced in the Indenture as required to be undertaken by an Authorized Officer, acting on behalf of the District.

“**Bond Counsel**” means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature 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 Register**” means the books which the Trustee will keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds are recorded.

“**Bondowner**” or “**Owner**” means the person or persons in whose name or names any Bond or Parity Bond is registered on the Bond Register.

“**Bonds**” means the Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds issued under the Indenture.

“**Bond Year**” means the twelve month period commencing on October 2 of each year and ending on October 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds will begin on the Delivery Date and end on the first October 1 which is not more than 12 months after the Delivery Date.

“**Business Day**” means a day which is not a Saturday or Sunday or a day of the year on which banks or trust companies in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located is required or authorized by law, regulation or executive order to close or to remain closed, or a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is not operational.

“**Certificate of an Authorized Representative**” means a written certificate executed by an Authorized Representative of the City.

“**City**” means the City of Orange, County of Orange, California.

“**City Council**” means the City Council of the City.

“**Claim**” means any claim or enforcement proceeding in connection with an Insolvency Proceeding.

“**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.

“**Continuing Disclosure Agreement**” means the Continuing Disclosure Agreement, dated as of the date of the Indenture, by and between the District and the Dissemination Agent named therein, as amended.

“**Costs of Issuance**” means the costs and expenses incurred in connection with the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the City.

“**Costs of Issuance Fund**” means the fund by that name established pursuant to the Indenture.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Depository” means The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Bonds, or any other securities depository acting as Depository under the Indenture.

“District” means City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) established pursuant to the Act and the Resolution of Formation.

“Escrow Agent” means U.S. Bank Trust Company, National Association, as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement (2015 Bonds), dated as of the date of the Indenture, by and between the Escrow Agent and the District.

“Escrow Fund” means the fund by that name established under the Escrow Agreement.

“Event of Default” means an event described in the Indenture.

“Federal Securities” means any of the following, which will in all circumstances be non-callable: (a) Treasuries; and (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Fiscal Year” means the period beginning on July 1 of each year and ending on June 30 of the following year.

“Governmental Authority” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

“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 District, who, or each of whom: (a) is in fact independent and not under the domination of the District; (b) does not have any substantial interest, direct or indirect, in the District; and (c) is not connected with the District as a member, officer or employee of the District, but who may be regularly retained to make annual or other reports to the District.

“Indenture” means the Bond Indenture, dated as of _____, 2026, by and between the District and the Trustee, together with any Supplemental Indenture approved pursuant to the Indenture.

“Insolvency Proceeding” means any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law.

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

“Insured Bonds” means the Bonds maturing on October 1, 20__ through 20__, inclusive, October 1, 20__ and October 1, 20__.*

“Insurer” means Assured Guaranty Inc., a Maryland corporation, or any successor thereto or assignee thereof.

“Insurer Default” means: (A) the Insurer has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms; (B) the Insurer will: (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law; (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition; (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property; (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (v) make a general assignment for the benefit of creditors; or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality will order the suspension of payments on the Insurance Policy or will obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

“Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Interest Payment Date” means October 1, 2026 and each April 1 and October 1 thereafter; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the following Business Day.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year: (a) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and (b) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

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

“Net Taxes” means Special Taxes less amounts set aside to pay Administrative Expenses not to exceed the Administrative Expenses Cap.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Ordinance” means Ordinance No. 17-06 adopted by the legislative body of the District on January 9, 2007, providing for the levying of the Special Tax.

“Outstanding” or **“Outstanding Bonds and Parity Bonds”** means all Bonds and Parity Bonds issued by the District, except: (a) Bonds and Parity Bonds cancelled or surrendered for cancellation in accordance with the Indenture; (b) Bonds and Parity Bonds for the payment or redemption of which moneys have been deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and (c)

* Preliminary, subject to change.

Bonds and Parity Bonds that have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

“**Parity Bonds**” means all bonds, notes or other similar evidences of indebtedness later issued, payable out of the Net Taxes and which, as provided in the Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

“**Participants**” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

“**Permitted Investments**” means:

(a) Federal Securities;

(b) Bonds, debentures, notes or other evidence issued or guaranteed by any of the following federal agencies and provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) U.S. Export-Import Bank (Direct obligations or fully guaranteed certificates of beneficial ownership); (ii) Farmers Home Administration (Certificates of beneficial ownership); (iii) Federal Financing Bank; (iv) Federal Housing Administration Debentures; (v) General Services Administration Participation certificates; (vi) Government National Mortgage Association (guaranteed mortgage-backed bonds or guaranteed pass-through obligations); (vii) U.S. Maritime Administration (Guaranteed Title XI financing); and (viii) U.S. Department of Housing and Urban Development (Project Notes, Local Authority Bonds, New Communities Debentures – United States government guaranteed debentures and U.S. Public Housing Notes and Bonds – United States government guaranteed public housing notes and bonds);

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) Federal Home Loan Bank System (Senior debt obligations); (ii) Federal Home Loan Mortgage Corporation (Participation Certificates and Senior debt obligations); (iii) Federal National Mortgage Association (Mortgage-backed securities and senior debt obligations); (iv) Student Loan Marketing Association (Senior debt obligations); (v) Resolution Funding Corporation obligations; and (vi) Farm Credit System (Consolidated systemwide bonds and notes);

(d) Money market mutual funds that constitute “Government Funds” under Rule 2a-7 promulgated by the Securities and Exchange Commission and that are registered under the Federal Investment Company Act of 1940 the shares of which are registered under the Federal Securities Act of 1933, and having a rating in the highest investment category granted thereby from Standard & Poor’s or Moody’s, with a minimum of \$500 million in assets under management, including funds for which the Trustee or its affiliates receive and retain a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(e) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee) secured at all times by collateral described in clauses (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks of which the short-term obligations are rated A-1 or better and P1 or better by Moody’s or Standard & Poor’s, respectively, which may include the Trustee and its affiliates. The collateral must be held by a third party and the Trustee on behalf of the Owners of the Bonds must have a perfected first security interest in the collateral;

(f) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), demand deposits, savings accounts, deposit accounts, time deposits, other deposit products, trust funds, trust accounts, interest bearing deposits, overnight bank deposits,

interest-bearing money market accounts, bankers acceptances or money market deposits which are insured by Federal Deposit Insurance Corporation, including BIF and SAIF; or

(g) Investment agreements with domestic or foreign banks, insurance companies other than a life or property casualty insurance company, or corporations the long-term debt or claims paying ability of which or, in the case of a guaranteed corporation, the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance company, claims paying ability or financial strength, of the guarantor is rated in at least the AA category by Standard & Poor's and Moody's; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Bonds (if the funds invested pursuant to the investment agreement are from the Reserve Account);

(ii) the invested funds are available for withdrawal without penalty or premium, upon not more than seven (7) days' prior notice;

(iii) the investment agreement provides that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(iv) the District and the Trustee receive the opinion of domestic counsel (which opinion is addressed to the District) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the District;

(v) the investment agreement provides that if during its term: (1) the provider's rating by either Standard & Poor's or Moody's falls below AA- or Aa3, respectively, the provider will, at its option, within ten (10) Business Days after the provider's receipt of a written request from the Trustee to satisfy the foregoing, either: (I) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "**Holder of the Collateral**") collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at one hundred five percent (105%) of securities identified in clauses (a) and (b) of the definition of "Permitted Investments;" or (II) assign the investment agreement and all of its obligations thereunder to, or enter into a repurchase agreement or such other agreement with, a financial institution that is mutually acceptable to the provider and the District which is rated either in the first or second highest category by Standard & Poor's and Moody's; and (2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below A- or A3, respectively, the provider must, at the direction of the District or the Trustee, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the District or the Trustee;

(vi) the investment agreement provides and an opinion of counsel is rendered, in the event that collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, the foregoing means that the Holder of the Collateral is in possession of such collateral); and

(vii) the investment agreement provides that if during its term: (1) the provider defaults in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be paid to the District or the Trustee, as appropriate; and (2) the provider becomes insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations

will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be paid to the District or the Trustee, as appropriate;

(h) Commercial paper rated, at the time of purchase, Prime - 1 by Moody's and A-1 or better by Standard & Poor's having original maturity of not more than 180 days issued by a domestic corporation having assets in excess of \$500 million;

(i) Bonds or notes issued by any state or municipality which are rated by Moody's or Standard & Poor's in one of the two highest rating categories assigned by them;

(j) Federal funds or bankers acceptances with a maximum term of 270 days of any bank which has an unsecured, uninsured and unguaranteed obligation rating of Prime - 1 or A3 or better by Moody's and A-1 or better by Standard & Poor's;

(k) Repurchase agreements that satisfy the following criteria:

(i) Repurchase agreements must be between the District or the Trustee and a dealer bank or securities firm which is: (1) A primary dealer on the Federal Reserve reporting dealer list which is rated A or better by two of the following Standard & Poor's, Moody's, or Fitch Ratings; or (2) A domestic bank or a domestic branch of a foreign bank rated A or above by two of the following: Standard & Poor's, Moody's or Fitch Ratings; or (3) Corporations the long-term debt or claims paying ability of which, or in the case of a guaranteed corporation, the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance company, claims paying ability or financial strength, is rated in at least the double A category by Standard & Poor's and Moody's; and

(ii) The written agreement must include the following: (1) Securities which are acceptable for transfer are: (I) direct obligations of the United States government; or (II) obligations of federal agencies backed by the full faith and credit of the United States of America (or the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation); (2) The collateral must be delivered to the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities); and (3) (I) The securities must be valued weekly, marked to market at current market price plus accrued interest; (II) The value of the collateral must be at least equal to one hundred five percent (105%) of the amount of money transferred by the Trustee to the dealer, bank or security firm under the agreement plus accrued interest. If the value of the securities held as collateral is reduced below one hundred five percent (105%) of the value of the amount of money transferred by the Trustee, then additional acceptable securities and/or cash must be provided as collateral to bring the value of the collateral to one hundred five percent (105%); provided, however, that if the securities used as collateral are those of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, then the value of the collateral must be at least equal to one hundred five percent (105%) of the amount of money transferred by the Trustee; and (III) A legal opinion must be delivered to the District and the Trustee that the repurchase agreement meets the requirements of California law with respect to the investment of public funds; and (IV) Should the provider's rating by either Standard & Poor's or Moody's be withdrawn or suspended or fall below A- or A3, respectively, the provider must, at the direction of the District or the Trustee (acting at the direction of the District), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the District or the Trustee;

(l) the Local Agency Investment Fund in the State Treasury of the State of California as permitted by the State Treasurer pursuant to Section 16429.1 of the California Government Code;

(m) forward delivery agreements or forward purchase and sale agreements with a domestic or foreign bank or corporation the long-term debt or claims paying ability of which, or in the case of a guaranteed corporation, the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance

company, claims paying ability or financial strength, of the guarantor is rated at least in the A category by Standard & Poor's and Moody's; provided that, by the terms of the agreement; the underlying investment property consists of those investments which are listed in clauses (a), (b), (c) and (h) of the definition of "Permitted Investments;" and

(n) the City's pooled investment fund invested pursuant to the City's investment policy.

"Person" means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

"Policy Costs" has the meaning given for such term as provided in the Indenture.

"Prepayments" means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method.

"Principal Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

"Principal Office of the Trustee" means the office of the Trustee located in Los Angeles, California (currently 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust), or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued; provided, however, that for purposes of the surrender or presentation of Bonds for payment, transfer or exchange, the Principal Office of the Trustee will be the designated corporate trust operations or agency office of the Trustee.

"Project" means those public facilities described in the Resolution of Formation which were refinanced with the proceeds of the 2015 Bonds, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

"Rate and Method" means the Rate and Method of Apportionment of Special Tax for the District approved by the qualified electors of the District on December 12, 2006 and recorded on December 26, 2006 as Document No. 2006000863536.

"Rating Agency" means Moody's and Standard & Poor's, or both, as the context requires.

"Rebate Account" means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

"Rebate Fund" means the fund by that name established pursuant to the Indenture in which there are established the Accounts described in the Indenture.

"Rebate Regulations" means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

"Record Date" means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

"Redemption Account" means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” means the Blanket Representation Letter from the District to the Depository as described in the Indenture.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Reserve Policy” means the debt service reserve insurance policy issued by the Insurer and deposited in the Reserve Account.

“Reserve Requirement” means, as of the date of calculation: (a) with respect to the Bonds, an amount equal to the least of: (i) Maximum Annual Debt Service with respect to the Bonds; (ii) 125% of average Annual Debt Service on the then Outstanding Bonds; or (iii) ten percent (10%) of the initial outstanding principal amount of the Bonds; provided that the Reserve Requirement will never exceed the amount established pursuant to the foregoing calculation at the time of issuance of the Bonds; and (b) with respect to such Parity Bonds, an amount equal to the least of: (i) Maximum Annual Debt Service with respect to such Parity Bonds; (ii) 125% of average Annual Debt Service on such Parity Bonds; or (iii) ten percent (10%) of the initial outstanding principal amount of such Parity Bonds; provided that the Reserve Requirement will never exceed the amount established pursuant to the foregoing calculation at the time of issuance of such Parity Bonds.

“Resolution of Formation” means Resolution No. 10139 adopted by the City Council of the City on December 12, 2006, pursuant to which the City formed the District.

“Responsible Officer,” means, when used with respect to the Trustee, any managing director, president, vice president, senior associate, associate or other officer of the Trustee within the Principal Office of the Trustee (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time will be such officers, respectively, or to whom any corporate trust matter is referred at the corporate trust office specified in the Indenture because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Indenture.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds that are designated as Term Bonds.

“Six-Month Period” means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

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

“Special Taxes” means the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act, the Rate and Method, and the voter approval obtained at the December 12, 2006 special election in the District, including any scheduled payments and any Prepayments thereof, and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon.

“Standard & Poor’s” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and its successors and assigns.

“**Supplemental Indenture**” means any supplemental indenture amending or supplementing the Indenture.

“**Surplus Fund**” means the fund by that name created and established pursuant to the Indenture.

“**Tax Certificate**” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“**Tax-Exempt**” means, with reference to a Permitted Investment, a Permitted Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

“**Term Bonds**” means the Bonds maturing on October 1, 20 ____, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“**Treasuries**” means non-callable direct obligations of the United States of America, including United States Treasury Notes, Certificates and Bonds and State and Local Government Series.

“**Trustee**” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States, having a principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank, national banking association or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

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

“**Verification Report**” has the meaning given for such term as provided in the Indenture.

“**2015 Bonds**” means the City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2015 Special Tax Refunding Bonds issued on March 18, 2015 in the original aggregate principal amount of \$23,920,000.

GENERAL AUTHORIZATION AND BOND TERMS

Type and Nature of Bonds and Parity Bonds. The District’s limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien or encumbrance upon any of the District’s property, or upon any of its income, receipts or revenues except the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which are, under the terms of the Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon. Neither the members of the City Council of the City nor any persons executing the Bonds or any Parity Bonds are liable personally on the Bonds or any Parity Bonds by reason of their issuance.

Notwithstanding anything to the contrary contained in the Indenture, the District is not required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds and any Parity Bonds, or for the performance of any covenants contained in the

Indenture. The 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 and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds will be equally payable from and secured by a pledge and lien upon the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Reserve Account, which will only secure the Bonds, and the Administrative Expense Account), without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), which have been set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) will constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds; and, so long as any of the Bonds and any Parity Bonds or interest thereon remains Outstanding, amounts in the Special Tax Fund will not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund will no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Costs of Issuance Fund or the Administrative Expense Account of the Special Tax Fund will be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture precludes: (a) subject to the limitations contained under the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption, and the payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as later amended, or under any other law of the State of California; or (b) the issuance, subject to the limitations contained in the Indenture, of Parity Bonds which are payable from Net Taxes.

Description of Bonds; Interest Rates. The District and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner will receive a certificated Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture.

Interest will be payable on each Bond and Parity Bond from the date established in accordance with the Indenture on each Interest Payment Date thereafter until the principal sum of such Bond or Parity Bond has been paid; provided, however, that if at the maturity date of any Bond or Parity Bond (or if the same is redeemable and will be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full, in accordance with the terms of the Indenture, such Bonds and Parity Bonds will then cease to bear interest.

Bond Register. The Trustee will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which will upon reasonable prior written notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in the Indenture, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register, transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as provided in the Indenture.

The District and the Trustee may treat the Owner of any Bond or Parity Bond whose name appears on the Bond Register as the absolute Owner thereof for any and all purposes, and the District and the Trustee will

not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It is the duty of the Bondowner to give written notice to the Trustee of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Bond or Parity Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond or Parity Bond for cancellation at the Principal Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

The transferor will also provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

Bonds or Parity Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds or Parity Bonds for other authorized denominations of the same maturity and issue. The Trustee may not collect from the Owner any charge for any new Bond or Parity Bond issued upon any exchange or transfer, but will require the Bondowner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds or Parity Bonds are surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate and deliver a new Bond or Bonds or a new Parity Bond or Parity Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee is not required to register transfers or make exchanges of: (a) Bonds or Parity Bonds for a period of 15 days next preceding any selection of the Bonds or Parity Bonds to be redeemed; or (b) any Bonds or Parity Bonds chosen for redemption.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee may conclusively rely on the information provided to it and has no responsibility to verify or ensure the accuracy of such information.

Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond becomes mutilated, the District will execute, and the Trustee will authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so mutilated, but only upon surrender to the Trustee of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Trustee will be cancelled by the Trustee pursuant to the Indenture. If any Bond or Parity Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee is given, the District will execute and the Trustee will authenticate and deliver a new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee will determine in lieu of and in substitution for the Bond or Parity Bond so lost, destroyed or stolen. Any Bond or Parity Bond issued in lieu of any Bond or Parity Bond alleged to be mutilated, lost, destroyed or stolen, will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds and Parity Bonds issued thereunder. The Trustee will not treat both the original Bond or Parity Bond and any replacement Bond or Parity Bond as being Outstanding for the purpose of determining the principal amount of Bonds or Parity Bonds which may be executed, authenticated and delivered under the Indenture or for the purpose of determining any percentage of Bonds or Parity Bonds Outstanding thereunder, but both the original and replacement Bond or Parity Bond will be treated as one and the same. Notwithstanding any other provision of the Indenture, in lieu of delivering a

new Bond or Parity Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds or Parity Bonds.

Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds will not be affected in any way by any defect in any proceedings taken by the District for the refunding of the 2015 Bonds, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and will not be dependent upon the completion of the refunding of the 2015 Bonds or upon the performance by any Person of such Person's obligation with respect to the Project, and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State of California will be conclusive evidence of their validity and of the regularity of their issuance.

Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the Bonds and any Parity Bonds, the District may provide that such Bonds and Parity Bonds will be initially issued as book entry bonds. If the District elects to deliver any Bonds or Parity Bonds in book entry form, then the District will cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such Bonds or Parity Bonds in an authorized denomination corresponding to that total principal amount of the Bonds or Parity Bonds designated to mature on such date. Upon initial issuance, the ownership of each such Bond or Parity Bond will be registered in the Bond Register in the name of the Nominee, as nominee of the Depository, and ownership of the Bonds or Parity Bonds, or any portion thereof may not thereafter be transferred except as provided in the Indenture.

With respect to book entry Bonds or Parity Bonds, the District and the Trustee have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry bonds. Without limiting the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to book entry bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry bonds to be redeemed in the event that the District redeems the Bonds or Parity in part; (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry bonds; or (v) any consent given or other action taken by the Depository as Bondowner. The District and the Trustee may treat and consider the person in whose name each book entry bond is registered in the Bond Register as the absolute Owner of such book entry bond for the purpose of payment of principal of, premium and interest on such Bond or Parity Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond or Parity Bond, for the purpose of registering transfers with respect to such Bond or Parity Bonds, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the Bonds or Parity Bonds only to or upon the order of the respective Owner, as shown in the Bond Register, or such Owner's respective attorney duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds or Parity Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, will receive a Bond or Parity Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the Bonds or Parity Bonds. Upon delivery by the Depository to the District and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such nominee of the Depository.

(b) Delivery of Representation Letter. In order to qualify the book entry bonds for the Depository's book entry system, the District and the Trustee (if required by the Depository) will execute and deliver to the Depository a Representation Letter. The execution and delivery of a Representation Letter will not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in

such book entry bonds other than the Owners, as shown on the Bond Register. By executing a Representation Letter, the Trustee will agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Representation Letter. In addition to the execution and delivery of a Representation Letter, the District and the Trustee will take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book entry bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the Bonds, the Parity Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District will prepare or direct the preparation of a new single, separate, fully registered bond for each of the maturity dates of such book entry bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in the Indenture. If the District fails to identify another qualified securities depository to replace the Depository, then the Bonds or Parity Bonds will no longer be restricted to being registered in such Bond Register in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such Bonds or Parity Bonds designate, in accordance with the provisions of the Indenture.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding Bonds or Parity Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such Bonds or Parity Bonds and all notices with respect thereto will be made and given, respectively to the Nominee, as provided in the Representation Letter or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions in the Indenture.

(e) Transfer of Bonds to Substitute Depository.

(1) The Bonds will be initially issued as provided in the Indenture. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of the Depository or its nominee, or of any substitute depository designated pursuant to clause (ii) below (a "**Substitute Depository**"); provided that any successor of the Depository or Substitute Depository is qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any Substitute Depository, upon: (I) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (II) a determination by the District that the Depository (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository is qualified under any applicable laws to provide the services proposed to be provided by it; or (iii) to any person as provided below, upon: (I) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (II) a determination by the District that the Depository or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(2) In the case of any transfer pursuant to clauses (i) or (ii) of clause (1), upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the District to the Trustee designating the Substitute Depository, a single new Bond, which the District will prepare or cause to be prepared, will be issued for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to clause (iii) of clause (1), upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the District to the Trustee, new Bonds, which the District will prepare or cause to be prepared, will be issued in such denominations and registered in the names of such persons as are requested in such written request of the District, subject to the limitations of the Indenture; provided that the Trustee is not required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the District.

(3) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, the Depository or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Representation Letter. The Trustee is not liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such Bonds will be controlling.

(4) The District and the Trustee are entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the District nor the Trustee have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including the Depository or its successor (or Substitute Depository or its successor), except to the Owner of any Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

Initial Depository and Nominee. The initial Depository under the Indenture will be The Depository Trust Company, New York, New York. The initial Nominee will be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds.

(a) There have been created and established and will be maintained by the Trustee the following funds and accounts:

(1) The City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds Special Tax Fund (the "Special Tax Fund") (in which there is established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expense Account).

(2) The City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds Rebate Fund (the "Rebate Fund") (in which there is established a Rebate Account and an Alternative Penalty Account).

(3) The City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds Costs of Issuance Fund (the "Costs of Issuance Fund").

(4) The City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds, accounts and subaccounts will be held by the Trustee and the Trustee will invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of the Indenture and disburse investment earnings thereon in accordance with the provisions of the Indenture. The Trustee may, in its discretion, establish temporary funds or accounts in its books and records to facilitate such transfers.

In connection with the issuance of any Parity Bonds, the Trustee, at the direction of an Authorized Representative of the City, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

Deposits to and Disbursements from Special Tax Fund.

(a) Except for the portion of any Prepayment to be deposited in the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to: (1) the Administrative Expense Account of the Special Tax Fund up to the Administrative Expenses Cap; (2) the Interest Account of the Special Tax Fund; (3) the Principal Account of the Special Tax Fund; (4) the Redemption Account of the Special Tax Fund; (5) the Reserve Account of the Special Tax Fund and any reserve account established in connection with the issuance of any Parity Bonds; (6) the Administrative Expense Account of the Special Tax Fund to the extent that Administrative Expenses exceed or are expected to exceed the Administrative Expenses Cap; (7) the Rebate Fund; and (8) the Surplus Fund.

(b) Upon the maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Administrative Expense Account of the Special Tax Fund. The Trustee will transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the City; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year will not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account and any reserve account established in connection with the issuance of such Parity Bonds to the Reserve Requirement, all as determined by the District. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expense Account to the extent necessary to collect delinquent Special Taxes, as directed in writing by an Authorized Representative of the City. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Permitted Investments as directed in writing by an Authorized Representative of the City and will be disbursed as directed in a Certificate of an Authorized Representative.

Interest Account and Principal Account of the Special Tax Fund. The principal of (including any Sinking Fund Payment) and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption under the Indenture, will be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of (including any Sinking Fund Payment) and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer to the Administrative Expense Account, at least one Business Day prior to each April 1 and October 1, the Trustee will make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account and any reserve account established in connection with any Parity Bonds) are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account and any reserve account established in connection with the issuance of any Parity Bonds:

(a) To the Interest Account, 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 and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date

that remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to October 1 of each year equals the principal payment (including any Sinking Fund Payment) due on the Bonds and any Parity Bonds maturing on such October 1 and any principal payment due on a previous October 1 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal (including any Sinking Fund Payment) of such Bonds and any Parity Bonds as the same become due at maturity.

Redemption Account of the Special Tax Fund.

(a) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account and any reserve account established in connection with the issuance of such Parity Bonds will equal the Reserve Requirement, as determined by the District.

(b) Prepayments deposited to the Redemption Account will be applied on the redemption date established pursuant to the extraordinary redemption provisions of the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments.

(c) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and Parity Bonds, will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender (if required) of such Bonds or Parity Bonds and, in the case of an optional redemption or an extraordinary redemption from Prepayments, to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the Indenture. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine, but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the optional redemption provisions of the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date. For so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, any purchase of Insured Bonds in lieu of redemption will require the prior written approval of the Insurer if any Insured Bond so purchased is not cancelled upon purchase.

For so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Insured Bonds to be redeemed will be subject to the approval of the Insurer.

Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The Reserve Policy will be drawn upon solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a

Sinking Fund Payment when due, and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will draw upon the Reserve Policy for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes. 50% of the Reserve Requirement will initially be satisfied by the Reserve Policy and 50% will initially be satisfied with the deposit from proceeds of the Bonds pursuant to the Indenture. Notwithstanding anything in the Indenture to the contrary, for so long as the Bonds remain outstanding, 50% of the Reserve Requirement will be satisfied with cash, unless the Insurer provides its prior written consent. Amounts on deposit in the Reserve Account will be applied solely to the payment of debt service due on the Bonds.

Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on the Bonds and any Parity Bonds secured by the Reserve Account.

The following provisions govern the Reserve Policy and the Reserve Account:

(a) The District shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer and shall pay interest thereon from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" for the purposes of this Section, means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) 12% and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Insurer shall specify. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Insurer, with the same force and effect as if the District had specifically designated such extra sums to be so applied and the Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "**Policy Costs**") will commence in the first month following each draw and each such monthly payment will be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer will be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Bonds (subject only to the priority of payment provisions set forth in the Indenture).

(b) All cash and investments in the Reserve Account will be transferred to the Interest Account or Principal Account, as applicable, for payment of debt service on the Insured Bonds before any drawing may be made on the Reserve Policy or on any alternative credit instrument on deposit in the Reserve Account in lieu of cash (each, a “**Credit Facility**”). Prior written consent of the Insurer will be a condition precedent to the deposit of any credit instrument provided in substitution of the Reserve Policy or lieu of a cash deposit into the Reserve Account.

Payment of any Policy Cost will be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage will be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities will be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. Repayment of all Policy Costs and the replenishment of the Reserve Account shall be made on a pari passu basis with payments and replenishments required to be made under the Indenture with respect to debt service reserve funds, if any, securing any outstanding parity obligations. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(c) If the District fails to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than: (i) acceleration of the maturity of the Bonds; or (ii) remedies which would adversely affect Bondowners.

(d) The Indenture will not be discharged until all Policy Costs owing to the Insurer have been paid in full. The District’s obligation to pay such amounts will expressly survive payment in full of the Bonds.

(e) The District will include any Policy Costs then due and owing the Insurer in the calculation required for issuance of Parity Bonds.

(f) The Trustee will ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (a) above and will provide notice to the Insurer in accordance with the terms of the Reserve Policy at least 5 Business Days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the District with the Trustee to the Interest Account and Principal Account for the Bonds more often than semi-annually, the Trustee will give notice to the Insurer of any failure of the District to make timely payment in full of such deposits within two (2) Business Days of the date due.

(f) The Reserve Policy will expire on the earlier of the date that the Bonds are no longer outstanding and the final maturity date of the Bonds.

Rebate Fund.

(a) The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund and will establish a separate Rebate Account and Alternative Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund will be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternative Penalty Account will be established for the Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds will be governed by the Indenture and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied.

(1) Rebate Account. The following requirements will be satisfied with respect to each subaccount of the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Bond Year, the District will calculate or cause to be calculated the amount of rebatable arbitrage for the Bonds and each issue of Parity Bonds to which the Rebate Fund provisions of the Indenture are applicable, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “**1½% Penalty**”) has been made), for such purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “**Rebatable Arbitrage**”). The District will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the foregoing requirements.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of an Authorized Representative of the City, an amount will be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account equals the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with clause (a)(1)(i) with respect to the Bonds and each issue of Parity Bonds to which the Rebate Fund provisions of the Indenture are applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the City, the Trustee will withdraw the excess from the appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the City, to the United States Treasury, out of amounts in each subaccount of the Rebate Account: (X) not later than 60 days after the end of: (A) the fifth Bond Year for the Bonds and each issue of Parity Bonds to which the Rebate Fund provisions of the Indenture are applicable; and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds and each issue of Parity Bonds, as applicable; and (Y) not later than 60 days after the payment or redemption of all of the Bonds or an issue of Parity Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time that any payment is required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the Rebate Fund provisions of the Indenture will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T prepared and signed by the District, or will be made in such other manner as provided under the Code. The Trustee may rely conclusively upon the District’s determinations, calculations and certifications required by the foregoing provisions. The Trustee has no responsibility to independently make any calculation or determination or to review the District’s calculations under the Indenture.

(2) Alternative Penalty Account.

(i) Six-Month Computation. If the 1½% Penalty has been elected for the Bonds or an issue of Parity Bonds, within 85 days of each particular Six-Month Period, the District will determine or

cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District will obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Trustee, at the written direction of an Authorized Representative of the City, will deposit an amount in the appropriate subaccounts of the Alternative Penalty Account from any source of funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in clause (a)(2)(i). In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in a subaccount of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by clause (a)(2)(iii), the Trustee, at the written direction of an Authorized Representative of the City, may withdraw the excess from the applicable subaccount of the Alternative Penalty Account and credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the City, to the United States Treasury, out of amounts in a subaccount of the Alternative Penalty Account, not later than 90 days after the close of each Six Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Bonds and any issue of Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time that any payment is required to be made from a subaccount of the Alternative Penalty Account, the amount in such subaccount is not sufficient to make such payment when such payment is due, the District will calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternative Penalty Account from any funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to the Rebate Fund provisions of the Indenture will be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, prepared and signed by the District, or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds or an issue of Parity Bonds after redemption and payment of such issue and after making the payments described in clauses (a)(1)(iii) or (a)(2)(iii) (whichever is applicable), may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the Rebate Fund requirements of the Indenture will survive the defeasance and final payment of the Bonds and any Parity Bonds with respect to which an Account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. The Rebate Fund provisions of the Indenture may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District and the Trustee an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any issue of Parity Bonds issued on a tax-exempt basis, in addition to any opinions required by the Trustee as described below under the caption “AMENDMENTS TO INDENTURE—Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds.”

Surplus Fund. After making the transfers required by the Indenture, as soon as practicable after each October 1, and in any event prior to each November 1, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative of the City directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of

the levy of Special Taxes for such Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the City: (a) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (b) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (c) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; or (d) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund will be invested at the written direction of the District in Permitted Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Permitted Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Costs of Issuance Fund. The moneys in the Costs of Issuance Fund will be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the City, and any balance therein will be transferred by the Trustee to the Interest Account as directed in writing by an Authorized Representative of the City or 90 days following the issuance of the Bonds, whichever is earlier. The Costs of Issuance Fund will thereafter be closed.

Investments. Moneys held in any of the funds, Accounts and subaccounts under the Indenture will be invested at the written direction of the District in accordance with the limitations set forth below only in Permitted Investments which will be deemed at all times to be a part of such funds, Accounts and subaccounts. Any loss resulting from such Permitted Investments will be credited or charged to the fund, Account or subaccount from which such investment was made, and any investment earnings on a fund, Account or subaccount will be applied as follows: (i) investment earnings on all amounts deposited in the Costs of Issuance Fund, the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) will be deposited in those respective funds and Accounts; and (ii) investment earnings on all amounts deposited in the Reserve Account will be deposited therein to be applied as set forth in the Indenture. Moneys in the funds, Accounts and subaccounts held under the Indenture may be invested by the Trustee as directed in writing (filed by the District with the Trustee two (2) Business Days in advance of the making of the investment) from time to time, in Permitted Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund and the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund will be invested only in Permitted Investments which will by their terms mature, or in the case of an investment agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(b) Moneys in the Reserve Account of the Special Tax Fund may be invested only in Permitted Investments which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an investment agreement to the later of the final maturity of the Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in

accordance with the Indenture; and provided that no such Permitted Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds will mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds, as applicable.

(c) Moneys in the Rebate Fund will be invested only in Permitted Investments of the type described in clause (a) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to the Indenture, or in Permitted Investments of the type described in clause (g) of the definition thereof.

(d) In the absence of written investment directions from the District, the Trustee will hold such moneys uninvested.

The Trustee will sell, or present for redemption, any Permitted Investment as directed in writing by the District whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and Accounts or from such funds and Accounts. For the purpose of determining at any given time the balance in any such funds and Accounts, any such investments constituting a part of such funds and Accounts will be valued at their cost, except that amounts in the Reserve Account will be valued at the market value thereof at least semiannually on or before each Interest Payment Date. In making any valuations under the Indenture, the Trustee may utilize and conclusively rely on, without liability, such generally recognized pricing information services (including brokers and dealers in securities) as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything in the Indenture to the contrary, the Trustee will not be liable for the selection of investments or for investment losses incurred thereon. The Trustee will have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of the District to provide timely written investment direction. The Trustee may conclusively rely upon the District's written instructions as to both suitability and legality of the directed investments.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment and will be entitled to its customary fee for such investment, including account maintenance fees. The Trustee may sell, or present for redemption, any Permitted Investment so purchased whenever it is 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 Indenture, the Trustee will not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture, but will account for each separately. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including account maintenance fees. Ratings of Permitted Investments will be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories.

The District has acknowledged that, to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District has specifically waived receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Ratings of Permitted Investments referred to in the Indenture will be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee will have no responsibility to monitor ratings of Permitted Investments after the initial purchase of such Authorized Investments or the responsibility to validate the ratings of Permitted Investments prior to the initial purchase.

COVENANTS AND WARRANTY

Security. The District will preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District has covenanted that it will receive all Special Taxes in trust for the Owners and will instruct the Finance Director of the City to deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District will have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District has covenanted that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged under the Indenture are available therefor, and that the payments into the funds and Accounts created thereunder will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, the Indenture and any Supplemental Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued under the Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture will prevent the District from issuing or incurring indebtedness that is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

(b) Payment of Claims. The 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 the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account therein), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing contained in the Indenture will require the District to make any such payments so long as the District in good faith contests the validity of any such claims.

(c) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries will 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 records and accounts will at all times during business hours be subject to the inspection of the Trustee, the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Code necessary to

preserve such exclusion from gross income and has specifically covenanted, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action and will refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other moneys or property which would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “private activity bonds” within the meaning of Section 141 of the Code;

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action which will cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds and will not take or omit to take any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any applicable Parity Bonds;

(6) Miscellaneous. The District will take no action and will refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture;

(7) Other Tax-Exempt Issues. The District will not use proceeds of other tax-exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis; and

(8) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth LLP (“SYCR”), where such opinion is required in connection with a change or amendment to the Indenture or the procedures set forth in the Tax Certificate, it will obtain an opinion substantially to the effect originally delivered by SYCR that interest on the Bonds and Parity Bonds which are the subject of such change or amendment is excluded from gross income for federal income tax purposes.

(g) Reduction of Maximum Special Taxes. The District has found and determined that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels that required the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District has

determined it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District has covenanted, that it will not initiate proceedings to reduce the maximum Special Tax rates for the District.

(h) Covenants to Defend. The District has covenanted that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District has covenanted that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosures. The District has covenanted to comply with the terms of the Continuing Disclosure Agreement and with the terms of any continuing disclosure agreement executed by the District with respect to any Parity Bonds in order to assist the underwriter thereof in complying with Rule 15(c)-12 adopted by the Securities and Exchange Commission.

(k) Further Assurances. The District will make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in the Indenture.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of the Insurer or any of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes; provided, however, any amendment or modification which adversely affects the rights and interests of the Insurer may be made only with the prior written consent of the Insurer so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners, as evidenced by an opinion of Bond Counsel delivered as described below under the caption “—Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds;”

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute later in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which do not materially adversely affect the

interests of the Owners of the Bonds or any Parity Bonds then Outstanding, as evidenced by an opinion of Bond Counsel delivered as described below under the caption “—Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds;”

(e) subject to the provisions of the Indenture, to modify, alter or amend the Rate and Method in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment; or

(f) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners, as evidenced by an opinion of Bond Counsel delivered as described below under the caption “—Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds.”

The District will send copies of any such amendments or supplements to the Insurer and the rating agencies which have assigned a rating to the Bonds.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described above under the caption “—Supplemental Indentures or Orders Not Requiring Bondowner Consent,” and upon receipt of the prior written consent of the Insurer so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding have the right to consent to and approve the adoption by the District of such Supplemental Indentures as are deemed necessary or desirable by the 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 Indenture; provided, however, that nothing in the Indenture will 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 or Parity Bond; (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon; (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond; (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Insurer (so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder) and the Owners of all Bonds and Parity Bonds then Outstanding; or (e) any effect on the rights and interests of the Insurer thereunder except upon the prior written consent of the Insurer.

If at any time the District desires to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture require the consent of the Bondowners, the District will so notify the Trustee and deliver to the Trustee a copy of the proposed Supplemental Indenture together with the written consent of the Insurer (so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder). The Trustee will, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and state that a copy thereof is on file at the Principal Office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice will not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee receives an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments refer to the proposed Supplemental Indenture described in such notice, and specifically consents to and approves the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, will thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds

have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds that are owned by the District, or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination, except that in determining whether the Trustee will be protected in relying upon any such demand, request, direction, consent or waiver of a Bondowner, only Bonds which a Responsible Officer of the Trustee actually knows to be owned or held by or for the account of the District, or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, will be disregarded unless all Bonds are so owned or held, in which case such Bonds will be considered Outstanding for the purpose of such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds will thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments.

Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds. After the effective date of any action taken as provided in the Indenture, the District may determine that the Bonds or any Parity Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date and presentation of such Owner's Bond or Parity Bond for the purpose at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds or Parity Bonds. If the District so determines, new Bonds or Parity Bonds so modified as, in the opinion of the District, are necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date such new Bonds or Parity Bonds will be exchanged at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds or Parity Bonds, upon surrender of such Outstanding Bonds or Parity Bonds.

In executing, or accepting the additional trusts created by any Supplemental Indenture permitted by the Indenture or the modification thereby of the trusts created by the Indenture, the Trustee is entitled to receive, and will be fully protected in relying upon, an opinion of Bond Counsel stating that the execution of such Supplemental Indenture is authorized or permitted by the Indenture and complies with the terms thereof and that all conditions precedent set forth in the Indenture applicable to the adoption of such Supplemental Indenture, if any, have been satisfied. In addition, in connection with the adoption of a Supplemental Indenture pursuant to the Indenture, the Trustee will be entitled to receive and to rely upon an opinion or advice of counsel in determining whether such Supplemental Indenture materially adversely affects the interests of Owners of any Bonds or Parity Bonds (which opinion may rely upon such certificates, reports or other statements as such opining counsel may deem necessary). The Trustee may, but is not obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

TRUSTEE

Trustee. U.S. Bank Trust Company, National Association, will be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture for the purpose of receiving all money that the District is required to deposit with the Trustee thereunder and to allocate, use and apply the same as provided in the Indenture.

The Trustee is authorized to and will mail by first class mail, postage prepaid, or wire transfer in accordance with the Indenture, interest payments to the Bondowners, to select Bonds and Parity Bonds for

redemption, and to maintain the Bond Register. The Trustee has been authorized to pay the principal of and premium, if any, on the Bonds and Parity Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds and Parity Bonds presented to it for such purposes, to provide for the cancellation of Bonds and Parity Bonds and to provide for the authentication of Bonds and Parity Bonds, and will perform all other duties assigned to or imposed on it as provided in the Indenture. The Trustee will keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Trustee is authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee will cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of the Indenture.

The District will from time to time, subject to any agreement between the District and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all of its advances and expenditures, including, but not limited to, advances to and fees, costs and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and save the Trustee, its officers, directors, employees and agents, harmless from and against any losses, costs, claims, expenses, judgments, damages, suits and liabilities, including, without limitation, fees and expenses of its attorneys, not arising from its own negligence or willful misconduct in connection with the acceptance or administration of the trust or trusts thereunder, including the costs and expenses of defending itself against any claim (except claims asserted by the District) or liability in connection with the exercise and performance of its powers and duties under the Indenture or any documents or transactions contemplated or executed in connection therewith. The foregoing obligation of the District to indemnify the Trustee will survive the removal or resignation of the Trustee or the discharge of the Bonds.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee will have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Removal of Trustee. The District may at any time at its sole discretion, and will at the direction of a majority of the Owners, remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a 30-day written notice of its decision to remove the Trustee. The District will appoint a successor or successors thereto, provided that any such successor is a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$250,000,000, and subject to supervision or examination by federal or state authority. If any bank, national banking association or trust company appointed as a successor 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 the Indenture, the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address. The predecessor Trustee will be and remain entitled to payment in full of the amounts owing to it under the Indenture.

Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice will be mailed to the Owners at their addresses appearing in the registration books at the Principal Office of the Trustee. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee has

been appointed and has accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondowner (on behalf of itself and all other Bondowners) may petition any court of competent jurisdiction, at the expense of the District, for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. The Trustee will be paid in full for any fees and expense owing to it prior to or contemporaneously with the signing of any instrument or agreement to effect the transfer to a successor Trustee.

Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds and any Parity Bonds will be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Indenture, the Bonds or any Parity Bonds, and will incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth in the Indenture, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee is under no responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee will not be accountable for the use of any proceeds of sale of the Bonds delivered thereunder.

The Trustee will be protected in relying and acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, statement, requisition, report, Bond, Parity Bond, electronic mail, or other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and correct and to have been signed or presented by the proper party or parties, and is not obliged to make any investigation into the facts or matters stated therein. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered under the Indenture in good faith and in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond or Parity Bond unless and until such Bond or Parity Bond is submitted for inspection, if required, and title thereto is satisfactorily established, if disputed.

Whenever in the administration of its duties under the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof is specifically prescribed in the Indenture) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee has no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, but its liability is limited to the proper accounting for such funds as it actually receives. No provision in the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of its rights or powers. The Trustee may refuse to perform any duty or exercise any right or power which would require it to expend its own funds or risk any liability if it will reasonably believe that repayment of such funds or adequate indemnity against such risk is not reasonably assured to it.

The Trustee will not be deemed to have knowledge of any default or Event of Default until a Responsible Officer has actual knowledge thereof or the Trustee has received written notice thereof at the Principal Office of the Trustee.

The Trustee will not be considered in breach of or in default in its obligations under the Indenture or liable for any failure in or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, pandemics, quarantine restrictions, acts of civil or military authority, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee is not liable for action taken or omitted to be taken by it in good faith pursuant to and in accordance with the direction of Owners of Bonds or Parity Bonds in aggregate principal amount of the requisite percentage or the District pursuant to and in accordance with any provision contained in the Indenture that permits such party so to direct the Trustee.

In no event will the Trustee be responsible or liable for special, punitive, indirect or consequential loss or damages of any kind (including but not limited to loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee has the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to the Indenture and delivered using Electronic Means. (“**Electronic Means**” means the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture). The District will provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s reasonable understanding of such Instructions will be deemed controlling. The District has understood and agreed that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The District has agreed: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct.

All immunities, indemnifications and releases from liability granted in the Indenture to the Trustee will extend to the directors, employees, officers and agents thereof.

The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Owners pursuant to the provisions of the Indenture unless such Owners have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities (including but not limited to attorneys' fees or expenses) which may be incurred therein or thereby.

The Trustee will not be responsible for or accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions of the Indenture.

The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it thereunder either directly or by or through attorneys, agents, custodians or nominees appointed with due care and the Trustee will not be liable for the acts or omissions of such attorneys, agents, custodians or nominees appointed with due care, and will be entitled to rely on advice of counsel concerning all matters of trust and its rights and duties under the Indenture.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee has no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

The Trustee is not required to determine the suitability or legality of any investments, and may rely on the investment directions of the District as to both the suitability and legality of the directed investments.

Merger or Consolidation. Any bank, corporation, association or company into which the Trustee may be merged or converted or with which it may be consolidated or any bank corporation, association or company resulting from any merger, conversion or consolidation to which it is a party or any bank corporation, association or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, will be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

Rights of Insurer. Notwithstanding anything in the Indenture to the contrary, the Insurer will receive prior written notice of any name change of the Trustee or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by the Insurer in writing. No removal, resignation or termination of the Trustee will take effect until a successor, meeting the requirements of the Indenture or otherwise acceptable to the Insurer (so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder), will be qualified and appointed.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events will 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 or Parity Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same becomes due and payable;

(c) except as described in clauses (a) or (b), default by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default continues for a period of 30 days after the District has been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds; provided, however, that with the prior written consent of the Insurer, so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, such default will not constitute an Event of Default under the Indenture if the District commences to cure such default within said 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time not to exceed 90 days after such notice; or

(d) An event of default occurs under any agreement pursuant to which any Parity Bonds or other bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Bonds of the District has been incurred or issued and that permits the holder or trustee of such obligations to accelerate such obligations or otherwise exercise rights or remedies that are adverse to the interest of Insured Bondowners or the Insurer, as the Insurer may determine in its sole discretion.

The Trustee has agreed to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under clauses (a) or (b) above and within 30 days of a Responsible Officer's knowledge of an event of default under clause (c) above.

Remedies of Owners. Upon the occurrence of an Event of Default, subject to the provisions that are described below under the caption “—Control by Insurer Upon Default,” the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including:

(a) by mandamus or other suit or proceeding at law or in equity to enforce the Trustee's rights against the District and any of the members, officers and employees of the District, and to compel the 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 Indenture;

(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 District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default has occurred and is continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners of the Bonds and Parity Bonds; provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Owners of Bonds or Parity Bonds not making such request (the Trustee having no duty to make such determination or judgment).

No remedy conferred upon or reserved to the Trustee or to the Owners in the Indenture is intended to be exclusive of any other remedy. Every such remedy will be cumulative and will be in addition to every other

remedy given under the Indenture or now or later 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.

Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owner so affected.

In no event will the principal of the Bonds or any Parity Bonds be accelerated.

Application of Revenues and Other Funds After Default. Subject to the provisions that are described below under the caption “—Control by Insurer Upon Default,” all amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds and Parity Bonds will be applied by the Trustee in the following order:

First, to the payment or reimbursement of the fees, costs, advances, charges, disbursements and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, upon presentation of the several Bonds and Parity Bonds, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event that such amounts are insufficient to pay the full amount of such interest and principal, then such amounts will be applied in the following order of priority:

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing,

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding that any Owner of Bonds or Parity Bonds has the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee has been appointed (and the successive respective Owners of the Bonds and Parity Bonds issued under the Indenture, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any

such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds and Parity Bonds under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment confers.

Non-Waiver. Nothing in the Indenture, or in the Bonds or the Parity Bonds, will affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes and other moneys therein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners will 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 of the Trustee or any Owner of any of the Bonds or Parity Bonds to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as deemed expedient by the Trustee or the Owners, as the case may be.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless: (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request (including but not limited to attorneys' fees and costs); and (d) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission have been declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds and Parity Bonds have any right in any manner whatever by their action to enforce any right under the Indenture, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond and Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond and Parity Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Termination of Proceedings. In case the Trustee has proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case, the District, the Trustee and the Owners be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

Control by Insurer Upon Default. Anything in the Indenture to the contrary notwithstanding, so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the Insurer shall be deemed to be the sole Owner of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Insured Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

DEFEASANCE AND PARITY BONDS

Defeasance. If the District will pay or cause to be paid, or there will otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond will thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the Indenture, the Trustee will execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond will be deemed to have been paid within the meaning expressed in the Indenture if such Bond or Parity Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds have not been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond will cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in the Indenture or any Supplemental Indenture relating to compliance with the Code. Notice of such election will be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee.

In connection with a defeasance of Insured Bonds under clauses (b) or (c) above, there will be provided to the District and the Insurer, with drafts provided at least five (5) Business Days prior to such defeasance, the following documents, in each case in form and substance satisfactory to the Insurer: (i) except in the case of a gross funded escrow, a verification report of either a nationally-recognized verification agent or a firm of independent, nationally-recognized certified public accountants as shall be acceptable to the Insurer verifying

the sufficiency of the escrow established to pay the Insured Bonds in full on the maturity or redemption date (a “**Verification Report**”); (ii) an escrow deposit agreement or other irrevocable written instructions (which shall be acceptable in form and substance to the Insurer); (iii) an opinion of nationally-recognized bond counsel to the effect that such Insured Bonds have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture and that all conditions precedent to the satisfaction and discharge of the Indenture and any applicable Supplemental Indenture and the pledge of Net Taxes and other assets made under the Indenture and any applicable Supplemental Indenture and all covenants, agreements and other obligations of the District thereunder have been satisfied, addressed to the Insurer and the District; and (iv) a certificate of discharge of the Trustee with respect to the Insured Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District, the Trustee and the Insurer. Insured Bonds shall be deemed to remain “Outstanding” under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

Upon a defeasance, the Trustee, upon request of the District, will release the rights of the Owners of such Bonds and Parity Bonds that have been defeased under the Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Indenture of all Outstanding Bonds and Parity Bonds, the Trustee will pay over or deliver to the District any funds held by the Trustee at the time of a defeasance that are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Trustee will, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Notwithstanding anything to the contrary set forth in the Indenture, the Indenture will not be discharged or terminated unless all amounts due or to become due to the Insurer (including Policy Costs) have been paid in full or duly provided for, and the District’s obligation to pay such amounts will expressly survive payment in full of the Bonds.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds may be issued subject to the following additional specific conditions, which have been made conditions precedent to the issuance of any such Parity Bonds:

(a) The District is in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and no Event of Default (or event which, once all notice or grace periods have passed, would constitute an Event of Default) exists, and a certificate of the District to that effect has been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding the fact that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds has been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds has been provided for by a Supplemental Indenture duly adopted by the District which specifies the following:

(1) the purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

- (2) the authorized principal amount of such Parity Bonds;
- (3) the date and the maturity date or dates of such Parity Bonds; provided that: (i) each maturity date falls on a October 1; (ii) all such Parity Bonds of like maturity are identical in all respects, except as to number; and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, are established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;
- (4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;
- (5) the denominations and method of numbering of such Parity Bonds;
- (6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;
- (7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in a reserve account of the Special Tax Fund to increase the amount therein to the Reserve Requirement;
- (8) the form of such Parity Bonds; and
- (9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The Trustee has received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the Delivery Date of such Parity Bonds by the Trustee (unless the Trustee accepts any of such documents bearing a prior date, which it will not be liable under the Indenture for so accepting):

- (1) a certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;
- (2) a written request of the District as to the delivery of such Parity Bonds;
- (3) an opinion of Bond Counsel to the effect that: (i) the District has the right and power under the Act to execute and deliver the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully executed and delivered by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (ii) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (iii) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture, including a statement that all requirements under the caption “—Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness” have been complied with;

(5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and

(6) such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

MISCELLANEOUS

Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption will be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose will be, cancelled forthwith and will not be reissued. The Trustee will destroy such Bonds and Parity Bonds, as provided by law, and, upon request of the District, furnish to the District a certificate of such destruction.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds or Parity Bonds will be sufficient for the purposes of the Indenture (except as otherwise provided in the Indenture), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee will also constitute sufficient proof of his authority.

(b) As to any Bond or Parity Bond, the person in whose name the same is registered in the Bond Register will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond or Parity Bond, and the interest thereon, will be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond or Parity Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee will be affected by any notice to the contrary.

Nothing contained in the Indenture will be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters stated in the Indenture which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond or Parity Bond will bind every future Owner of the same Bond or Parity Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds that remains unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and

payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, will be repaid by the Trustee to the District (without liability for interest), as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee, at the expense of the District, will cause to be mailed by first class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date is not less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District. Any money held by the Trustee pursuant to this paragraph will be held uninvested and without liability for interest

Provisions Constitute Contract. The provisions of the Indenture constitute a contract between the District and the Bondowners and the provisions thereof will be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy is brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds, the Indenture will be irrevocable, but will be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Indenture will be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged thereunder.

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

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued pursuant thereto will remain valid and the Bondowners will retain all valid rights and benefits accorded to them under the laws of the State of California.

OFAC Compliance. The District has covenanted and represented that neither it nor any of its affiliates, subsidiaries, directors or officers are the target or subject of any sanctions enforced by the United States Government, (including, the Office of Foreign Assets Control of the US Department of the Treasury, the United Nations Security Council, the European Union, HM Treasury or other relevant sanctions authority (collectively "Sanctions"). The District has covenanted and represented that neither it nor any of its affiliates, subsidiaries, directors or officers will use any payments made pursuant to the Indenture: (a) to fund or facilitate any activities of or business with any person who, at the time of such funding or facilitation, is the subject or target of Sanctions; (b) to fund or facilitate any activities of or business with any country or territory that is the target or subject of Sanctions; or (c) in any other manner that will result in a violation of Sanctions by any person.

Insolvency. So long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations, thereunder, the following provisions apply: each Owner of the Insured Bonds has appointed the Insurer as its agent and attorney-in-fact with respect to the Insured Bonds and has agreed that the Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “**Insolvency Proceeding**”) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “**Claim**”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Owner of the Insured Bonds has delegated and assigned to the Insurer, to the fullest extent permitted by law, the rights of each Owner of the Insured Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Pursuant to the Indenture, the Trustee has acknowledged such appointment, delegation and assignment by each Owner of the Insured Bonds for the Insurer’s benefit, and agrees to cooperate with the Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Remedies granted to the Owners shall expressly include mandamus.

Insurer As Third Party Beneficiary. The Insurer is recognized as and will be deemed to be a third party beneficiary of the Indenture and, so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations, thereunder, the Insurer may enforce the provisions of the Indenture as if it were a party thereto.

Payment Procedure Under the Insurance Policy. In the event that principal and/or interest due on the Insured Bonds is paid by the Insurer pursuant to the Insurance Policy, the Insured Bonds will remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the registered owners will continue to exist and will run to the benefit of the Insurer, and the Insurer will be subrogated to the rights of such registered owners.

In the event that on the third (3rd) Business Day prior to any Interest Payment Date, there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay all principal of and interest on the Insured Bonds due on such Interest Payment Date, the Trustee will give notice to the Insurer and to its designated agent (if any) (the “**Insurer’s Fiscal Agent**”) by telephone of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second (2nd) Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee will make a claim under the Insurance Policy and give notice to the Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Insurer and the Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

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

The Trustee will keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The Insurer will have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee will establish a separate special purpose trust account for the benefit of Owners of the Insured Bonds referred to in the Indenture as the “**Policy Payments Account**” and over which the Trustee will have exclusive control and sole right of withdrawal. The Trustee will receive any amount paid under the Insurance Policy in trust on behalf of Owners of the Insured Bonds and will deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts will be disbursed by the Trustee to Owners of the Insured Bonds in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the sections of the Indenture regarding payment of Insured Bonds. It will not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Indenture to the contrary, the District agrees to pay to the Insurer, solely from the Net Taxes (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the “**Insurer Advances**”); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the “**Insurer Reimbursement Amounts**”). “**Late Payment Rate**” for the purposes of this Section, means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate will be computed on the basis of the actual number of days elapsed over a year of 360 days. The District hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Net Taxes and payable from such Net Taxes on a parity with debt service due on the Insured Bonds.

Funds held in the Policy Payments Account will not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. The Trustee will notify the Insurer of any funds remaining in the Policy Payments Account after the Trustee has made the payments for which a claim was made to the Owners of the Insured Bonds and will, at the written direction of the Insurer, promptly remit such funds remaining to the Insurer.

The Insurer will, to the extent it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights will also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the District to the Insurer under the Indenture and the Insured Bonds will survive discharge or termination of the Indenture.

The Insurer will be entitled to pay principal or interest on the Insured Bonds that will become Due for Nonpayment but will be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy) whether or not the Insurer has received a notice of Nonpayment or a claim upon the Insurance Policy.

Additional Insurer Payments. The District agrees unconditionally that it will pay or reimburse the Insurer on demand any and all Administrative Costs and Policy Costs. For purposes of the foregoing, costs and expenses will include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The District agrees that failure to pay any Administrative Costs and Policy Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date that the Insurer is paid in full.

Notwithstanding anything in the Indenture to the contrary, the District agrees to pay to the Insurer: (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the “Insurer Policy Payment”); and (ii) interest on such the Insurer Policy Payments from the date paid by the Insurer until payment thereof in full by the District, payable to the Insurer at the Late Payment Rate per annum (collectively, “Insurer Reimbursement Amounts”) compounded semi-annually. Notwithstanding anything to the contrary, including without limitation the post-Event of Default application of revenue provisions, the Insurer Reimbursement Amounts will be, and the District has covenanted and agreed that the Insurer Reimbursement Amounts are, payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Bonds on a parity with debt service due on the Insured Bonds.

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

The Insurer will be entitled to pay principal or interest on the Insured Bonds that will become Due for Payment but will be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy), whether or not the Insurer has received a claim upon the Insurance Policy.

No contract will be entered into or any action taken by which the rights of the Insurer or security for or source of payment of the Insured Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Amounts Paid by Insurer. Amounts paid by the Insurer under the Insurance Policy will not be deemed paid for purposes of the Indenture and the Insured Bonds relating to such payments will remain Outstanding and continue to be due and owing until paid by the District in accordance with the Indenture.

Reimbursement of Insurer Fees. The District will pay or reimburse the Insurer, solely from Net Taxes, any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture; (ii) the pursuit of any remedies under the Indenture or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture, whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture. Amounts payable by the District hereunder will bear interest at the Late Payment Rate (as defined in under the heading “—Payment Procedure Under the Insurance Policy”) from the date such amount is paid or incurred by the Insurer until the date the Insurer is paid in full. The obligation to reimburse the Insurer will survive the discharge or termination of the Indenture.

Effect of Insurance Policy. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Insured Bonds or the rights of the Owners of the Insured Bonds, the Trustee will consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

Impairment of Insurer’s Rights. No contract will be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Insured Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer. The District will not enter into any interest rate exchange agreement or any other interest rate maintenance agreement secured by and payable from the Net Taxes without the prior written consent of the Insurer.

Special Provisions for Insurer Default. If an Insurer Default will occur and be continuing, then, notwithstanding anything in the Indenture to the contrary: (a) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Insurance Policy, to the extent of such payment the Insurer will be treated like any other Insured Bondowner for all purposes, including the giving of consents; and (b) if the Insurer has not made any payment under the Insurance Policy, the Insurer will have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Insurance Policy, in which event the foregoing clause (a) will control.

APPENDIX B

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

_____, 2026

City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements)
Orange, California

Re: \$ _____ City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) 2026 Special Tax Refunding Bonds

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California (the “State”), a certified record of the proceedings of the City of Orange (the “City”) taken in connection with the formation of City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (the “District”) and the authorization and issuance of the District’s 2026 Special Tax Refunding Bonds in the aggregate principal amount of \$ _____ (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the District, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California) (the “Act”), and a Bond Indenture, dated as of July 1, 2026 (the “Indenture”), by and between the District and U.S. Bank Trust Company, National Association, as trustee. All capitalized terms that are not defined herein have the meanings set forth in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, enforceable in accordance with their terms and the terms of the Indenture, and the Bonds are entitled to the benefits of the Indenture. The Bonds are limited obligations of the District, but are not a debt of the City, the State or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, except for the Special Taxes, neither the faith and credit nor the taxing power of the City, the State or any of its political subdivisions is pledged to the payment thereof.

2. The execution and delivery of the Indenture has been duly authorized by the District, and the Indenture is valid and binding upon the District and enforceable in accordance with its terms, provided, however, that we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses or as to any indemnification, penalty, choice of law, choice of forum or waiver provisions contained therein.

3. The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture.

4. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest (and original issue discount) on the Bonds is exempt from State personal income tax.

6. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond.

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

The opinions that are expressed in paragraph (4) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with certain covenants and all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such covenants and requirements of the Code may cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5), (6) and (7) above, we express no opinion as to any tax consequences related to the Bonds.

The opinions that are expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters that are not directly addressed by such authorities. We call attention to the fact that the rights and obligations of the District under the Indenture and the Bonds are subject to and may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

Our opinion is limited to matters that are governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds, and we expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Certain requirements and procedures that are contained or referred to in the Indenture and Tax Certificate may be changed, and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in the Indenture and Tax Certificate relating to the Bonds, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on any Bonds if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth LLP.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

Respectfully submitted,

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon issuance of the Bonds, the District proposes to enter into a Continuing Disclosure Agreement in substantially the following form:

This Continuing Disclosure Agreement, dated as of July 1, 2026 (the “Disclosure Agreement”), is entered into by and between City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (the “District”), and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the District of its \$_____ 2026 Special Tax Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture, dated as of July 1, 2026 (the “Indenture”), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The District and the Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

Annual Report. The term “Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

Beneficial Owner. The term “Beneficial Owner” 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 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.

Disclosure Representative. The term “Disclosure Representative” means the General Manager, the Chief Financial Officer/Treasurer or the Director of Financial Planning and Analytics of the City, or their designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

Dissemination Agent. The term “Dissemination Agent” means, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the District which has filed with the then-current Dissemination Agent a written acceptance of such designation.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Financial Obligation. The term “Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule and the issuer thereof has entered into a continuing disclosure undertaking for such municipal securities.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Insurer. The term “Insurer” means Assured Guaranty Inc.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) or (b) of this Disclosure Agreement.

Official Statement. The term “Official Statement” means the final Official Statement, dated _____, 2026, relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than each April 1 after the end of the District and the City’s Fiscal Year (commencing on April 1, 2027 with the Annual Report for Fiscal Year 2025-26), provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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, however, that the audited financial statements of the District and the City, if any are prepared, may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months. The District and the City’s Fiscal Year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify EMMA, the Dissemination Agent and the Participating Underwriter of a change in the District or the City’s Fiscal Year dates.

(b) So long as the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA and the Participating Underwriter, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The 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. If the Dissemination Agent is an entity other than the District, it may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the District is the Dissemination Agent and the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send a notice to EMMA and the Dissemination Agent in the manner prescribed by the Municipal Securities Rulemaking Board. If the Dissemination Agent is other than the District and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice to EMMA in the form prescribed by the Municipal Securities Rulemaking Board.

(d) The Dissemination Agent, if other than the District, shall promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the District, if any have been prepared, for the most recent Fiscal Year of the District then ended. If the audited financial statements are being prepared and are not available by the time that the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain any available unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the District shall be audited by such auditor as shall then be required or permitted by State law. Audited financial statements, if prepared by the District, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the District may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the District shall modify the basis upon which its financial statements are prepared, the District shall provide a notice of such modification to EMMA, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

The financial statements of the City shall be filed to the extent that the District does not prepare audited financial statements, but the financial statements of the City shall not be deemed to be the financial statements of the District unless such audited financial statements contain specific information as to the District, its revenues, expenses and account balances. If the City's audited financial statements contain specific information as to the District, its revenues, expenses and account balances, the District's Annual Report shall contain or incorporate by reference the City's audited financial statements. If the City's audited financial statements contain specific information as to the District, its revenues, expenses and account balances, but are not available at the time required for filing, unaudited financial statements of the City that contain specific information as to the District, its revenues, expenses and account balances shall be submitted with the Annual Report and the City audited financial statements shall be submitted once available.

(b) Financial and Operating Data.

(i) The principal amount of Bonds and any Parity Bonds outstanding as of the last day of the most recent completed Fiscal Year of the District, or a more recent date;

(ii) The balance in each fund under the Indenture and the Reserve Requirement as of October 2 within the then current Fiscal Year of the District, or a more recent date;

(iii) The status of any judicial foreclosure proceedings initiated by the District as a result of the delinquency in the payment of special taxes and a summary of the results of foreclosure sales, if available;

(iv) An update of Tables 4, 6, 9 and 10 in the Official Statement as of the last day of the most recent completed Fiscal Year of the District, or a more recent date but only as to the most recently completed Fiscal Year; and

(v) The principal amount of prepayments of the Special Taxes with respect to the District for the preceding Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District, the City or related public entities, which have been

submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the 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 more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. a default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties; and
10. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (10), 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 governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after the occurrence of the event:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond holders;

3. Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
7. appointment of a successor or additional trustee or the change of the name of a trustee; and
8. incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, the District shall file, or shall cause the Dissemination Agent to file, a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) If the District determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the District, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and, if the Dissemination Agent is other than the District, the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the District and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) hereof.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent appointed by the District may resign by providing thirty (30) days written notice to the District, and upon appointment of a new Dissemination Agent hereunder.

Section 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the District or the type of business conducted thereby; (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or

interpretations of the Rule, as well as any change in circumstances; (3) the District shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in clause (2) above; (4) the District shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners; and (5) the District shall have delivered copies of such opinion and amendment to the Participating Underwriter.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of the Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in clauses (1), (2), (3) and (5) of section 8(a) have been satisfied.

(c) To the extent that any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, 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.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the 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 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 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 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the District shall be paid: (i) compensation by the District for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent

in the performance of its duties hereunder. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Insurer, 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 13. Notices. Notices with respect to this Disclosure Agreement should be sent in writing to:

If to the District: City of Orange Community Facilities District 06-1 (Del Rio Public Improvements)
c/o City of Orange
300 E. Chapman Ave.
Orange, CA 92866
Attention: City Manager

If to the Dissemination Agent: Willdan Financial Services
27368 Via Industria, Suite 200
Temecula, CA Federal Compliance Group

If to the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
2121 Avenue of the Stars, Suite 2150
Los Angeles, CA 90067

If to the Insurer: Assured Guaranty Inc.
1633 Broadway
New York, NY 10019

Section 14. 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 15. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 16. 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 17. 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 have caused their duly authorized officer to execute and deliver this Disclosure Agreement on the date first written above.

CITY OF ORANGE COMMUNITY FACILITIES
DISTRICT NO. 06-1 (DEL RIO PUBLIC
IMPROVEMENTS)

By: _____
Name: _____
Title: _____

WILLDAN FINANCIAL SERVICES, as Dissemination
Agent

By: _____
Name: _____
Title: _____

APPENDIX D

INFORMATION CONCERNING DTC

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District, the City and the Underwriter believe to be reliable, but none of the District, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

The following sets forth the Revised Rate and Method of Apportionment for the levy and collection of Special Taxes of Community Facilities District No. No. 06-1 of the City of Orange (the “District”). A Special Tax shall be levied on and collected in the District each Fiscal Year, in an amount determined through the application of the Revised Rate and Method of Apportionment described below. All of the real property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A Special Tax as hereinafter defined shall be levied on all Assessor’s Parcels in the City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements) (“CFD No. 06-1”) and collected each Fiscal Year commencing in Fiscal Year 2007-08, in an amount determined by the CFD Administrator (as defined below) through the application of the procedures described below. All of the real property in CFD No. 06-1, unless exempted by law or by the provisions hereof, shall be taxed 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 number of acres of land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

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

“Administrative Expenses” means the following actual or reasonably estimated costs related to the administration of CFD No. 06-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City, through foreclosure proceedings, or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement; the costs to the City, CFD No. 06-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 06-1 or any designee thereof of complying with City, CFD No. 06-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 06-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 06-1 for any other administrative purposes of CFD No. 06-1, 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 in an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax A” means the Special Tax A for each Land Use Class of Developed Property, as determined in accordance with Section C.1 below.

“Backup Special Tax A” means the Special Tax A applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section D below.

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 06-1 under the Act.

“CFD Administrator” means the Director of Finance of the City, or designee thereof, who is responsible for determining the Special Tax Requirement for Facilities and the Special Tax Requirement for Services and providing for the levy and collection of the Special Taxes.

“CFD No. 06-1” means the City of Orange Community Facilities District No. 06-1 (Del Rio Public Improvements).

“City” means the City of Orange.

“Condominium Unit” means a residential unit meeting the statutory definition of a condominium contained in the California Civil Code, Section 1351, and for which a condominium plan has been recorded pursuant to California Civil Code, Section 1352.

“Council” means the City Council of the City, acting as the legislative body of CFD No. 06-1.

“County” means the County of Orange.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property or Taxable Public Property, for which a building permit for new construction was issued after January 1, 2006 and prior to March 1 of the prior Fiscal Year.

“Equivalent Dwelling Unit” or “EDU” means the numeric designation in Table 1 for each Land Use Class of Developed Property, which reflects the relationship between the Assigned Special Tax for that Land Use Class as compared to the Assigned Special Taxes for other Land Use Classes, and which is used in Section D in the calculation of the Backup Special Tax A.

“Fiscal Agent” means the fiscal agent under the Fiscal Agent Agreement.

“Fiscal Agent Agreement” means the fiscal agent agreement or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

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

“Land Use Class” means any of the classes listed in Table 1 or Table 2.

“Maximum Special Tax” means the Maximum Special Tax A and/or Maximum Special Tax B, as applicable.

“Maximum Special Tax A” means the Maximum Special Tax A, determined in accordance with Section C.1 below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

“Maximum Special Tax B” means the Maximum Special Tax B, determined in accordance with Section C.2 below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

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

“Outstanding Bonds” means all Bonds which are outstanding under and in accordance with the provisions of the Fiscal Agent Agreement.

“Property Owner Association Property” means any property within the boundaries of CFD No. 06-1 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association.

“Proportionately” means for Developed Property that the ratio of the actual Special Tax A levy to the Assigned Special Tax A is equal for all Assessor’s Parcels of Developed Property and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax A levy per Acre or actual Special Tax B levy per Acre to the Maximum Special Tax A per Acre or Maximum Special Tax B per Acre is equal for all Assessor’s Parcels of Undeveloped Property. For Taxable Public Property and Taxable Property Owner Association Property, “Proportionately” means that the ratio of the actual Special Tax A levy per Acre to the Maximum Special Tax A per Acre is equal for all Assessor’s Parcels of Taxable Public Property and Taxable Property Owner Association Property, as applicable.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 06-1 that (i) is owned by or irrevocably offered for dedication to the federal government, the State, the County, the City or any other public agency, provided however 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 accordance with its use; or (ii) is encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

“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.

“Single Family Attached Property” means all Assessor’s Parcels of Residential Property for which building permits have been issued for attached residential units.

“Single Family Detached Property” means all Assessor’s Parcels of Residential Property for which building permits have been issued for detached residential units.

“Special Tax” means the Special Tax A and/or Special Tax B, as applicable.

“Special Tax A” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property to fund the Special Tax Requirement for Facilities.

“Special Tax B” means the annual special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property and Undeveloped Property to fund the Special Tax Requirement for Services.

“Special Tax Requirement for Facilities” means that amount required in any Fiscal Year to pay: (1) debt service and other periodic costs on the Bonds due in the calendar year commencing in such Fiscal Year; (2) the cost of acquisition or construction of authorized facilities of CFD No. 06-1; (3) all or a portion of

the Administrative Expenses as determined by the CFD Administrator; (4) any amount required to replenish any reserve fund established in association with the Bonds; (5) for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; and (6) the costs of remarketing, credit enhancement and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash); less (7) a credit for funds available to reduce the annual Special Tax A levy, as determined by the CFD Administrator pursuant to the Fiscal Agent Agreement.

“Special Tax Requirement for Services” means that amount required in any Fiscal Year to pay: (1) directly for services authorized to be funded by CFD No. 06-1; and (2) Administrative Expenses not funded through the Special Tax Requirement for Facilities as determined by the CFD Administrator; less (3) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 06-1 which are not exempt from the Special Tax pursuant to law or Section F below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section F below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section F below.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property, or Taxable Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 06-1 shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C, D and E below.

The Assigned Special Tax A and Maximum Special Tax B for Residential Property shall be based on the Residential Floor Area located on the Assessor’s Parcel. The Assigned Special Tax A and Maximum Special Tax B for Non-Residential Property shall be based on the Acreage of the Assessor’s Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Special Tax A

a. Developed Property

(1) Maximum Special Tax A

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

(2) Assigned Special Tax A

The Assigned Special Tax A for Fiscal Year 2007-08 for each Land Use Class is shown below in Table 1.

**TABLE 1
ASSIGNED SPECIAL TAX A FOR DEVELOPED PROPERTY
FOR FISCAL YEAR 2007-08**

<i>Land Use Class</i>	<i>EDU</i>	<i>Description</i>	<i>Residential Floor Area</i>	<i>Assigned Special Tax A Per unit/Acre</i>
1	1.000	Single Family Detached Property	> 2,400 sq. ft.	\$5,624 per unit
2	0.905	Single Family Detached Property	2,200 - 2,399 sq. ft.	\$4,948 per unit
3	0.845	Single Family Detached Property	2,000 - 2,199 sq. ft.	\$4,894 per unit
4	0.808	Single Family Detached Property	1,800 - 1,999 sq. ft.	\$4,526 per unit
5	0.722	Single Family Detached Property	1,600 - 1,799 sq. ft.	\$4,398 per unit
6	0.606	Single Family Detached Property	1,400 - 1,599 sq. ft.	\$3,786 per unit
7	0.568	Single Family Detached Property	< 1,400 sq. ft.	\$3,545 per unit
8	0.691	Single Family Attached Property	> 1,700 sq. ft.	\$3,831 per unit
9	0.587	Single Family Attached Property	1,500 - 1,699 sq. ft.	\$3,448 per unit
10	0.543	Single Family Attached Property	< 1,500 sq. ft.	\$2,857 per unit
11	18.622	Non-Residential Property	Not Applicable	\$107,818 per Acre

(3) Increase in the Assigned Special Tax A

On each July 1, commencing on July 1, 2008, the Assigned Special Tax A shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(4) Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax A levied on an Assessor's Parcel shall be the sum of the Assigned Special Tax A for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax A that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax A that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the building square footage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

b. Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property

(1) Maximum Special Tax A

The Fiscal Year 2007-08 Maximum Special Tax A for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$107,818 per Acre.

(2) Increase in the Maximum Special Tax A

On each July 1, commencing on July 1, 2008, the Maximum Special Tax A for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. Special Tax B

a. Developed Property

(1) Maximum Special Tax B

The Maximum Special Tax B for Fiscal Year 2007-08 for each Land Use Class is shown below in Table 2.

**TABLE 2
MAXIMUM SPECIAL TAX B FOR DEVELOPED PROPERTY
FOR FISCAL YEAR 2007-08**

<i>Land Use Class</i>	<i>Description</i>	<i>Residential Floor Area</i>	<i>Maximum Special Tax B Per unit/Acre</i>
1	Single Family Detached Property	> 2,400 sq. ft.	\$281 per unit
2	Single Family Detached Property	2,200 - 2,399 sq. ft.	\$250 per unit
3	Single Family Detached Property	2,000 - 2,199 sq. ft.	\$244 per unit
4	Single Family Detached Property	1,800 - 1,999 sq. ft.	\$227 per unit
5	Single Family Detached Property	1,600 - 1,799 sq. ft.	\$218 per unit
6	Single Family Detached Property	1,400 - 1,599 sq. ft.	\$187 per unit
7	Single Family Detached Property	< 1,400 sq. ft.	\$175 per unit
8	Single Family Attached Property	> 1,700 sq. ft.	\$192 per unit
9	Single Family Attached Property	1,500 - 1,699 sq. ft.	\$164 per unit
10	Single Family Attached Property	< 1,500 sq. ft.	\$148 per unit
11	Non-Residential Property	Not Applicable	\$4,603 per Acre

(2) Increase in the Maximum Special Tax B

On each July 1, commencing on July 1, 2008, the Maximum Special Tax B shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(3) Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax B that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax B that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the building square footage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

b. Undeveloped Property

(1) Maximum Special Tax B

The Fiscal Year 2007-08 Maximum Special Tax B for Undeveloped Property shall be \$4,603 per Acre.

On each July 1, commencing on July 1, 2008, the Maximum Special Tax B for Undeveloped Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. BACKUP SPECIAL TAX A

The following definitions apply to this Section D:

“Final Map” means (i) a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued without any further subdivision or (ii) for condominiums, a final map, or portion thereof, approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which building permits may be issued.

“Planning Area” means Planning Areas 1A/2A, Planning Areas 1B/2B, Planning Area 3, or Planning Area 4, as applicable.

“Planning Area 1A/2A” means the land geographically identified as Lots 1 through 50 of Tract Map 16768 and Lots 1 through 50 of Tract Map 16853.

“Planning Area 1B/2B” means the land geographically identified as Lots 51 through 59 of Tract Map 16768 and Lots 1 through 13 of Tract Map 16866.

“Planning Area 3” means the land geographically identified as Parcel 1 of Lot Line Adjustment 2006-03.

“Planning Area 4” means the land geographically identified as Parcel 2 of Lot Line Adjustment 2006-03.

“Required Backup Special Tax A Revenues” means, with respect to each Planning Area, the amount shown in the column so labeled in Table 3 for Fiscal Year 2007-08. On each July 1, commencing on July 1, 2008, the Required Backup Special Tax A Revenues shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

1. Required Backup Special Tax A Revenues

Table 3 below identifies the Fiscal Year 2007-08 Required Backup Special Tax A Revenues for each Planning Area as well as the number of units expected in each Planning Area. The CFD Administrator shall escalate the Fiscal Year 2007-08 Required Backup Special Tax A Revenues on each July 1, commencing on July 1, 2008, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

TABLE 3

<i>Planning Area</i>	<i>Expected Product Type</i>	<i>Number of Units</i>	<i>Fiscal Year 2007-08 Required Backup Special Tax A Revenues</i>
1A/2A	Residential Property	100 units	\$531,310
1B/2B	Residential Property	135 units	\$675,821
3	Residential Property	121 units	\$499,777
4	Residential Property	241 units	\$892,238
Total	Residential Property	597 units	\$2,599,146

2. Calculation of Backup Special Tax A

Each time building permits are issued for new construction, the CFD Administrator shall calculate the Backup Special Tax A for each Assessor's Parcel for which building permits are requested, as follows:

a) For the Planning Area in which the building permits are to be issued, compute the total number of EDUs from property for which building permits were previously issued by multiplying the expected number of units (based on such previously issued building permits) of Residential Property in each Land Use Class and expected Acreage (based on such previously issued building permits) of Non-Residential Property by the applicable EDU factor indicated in Table 1.

b) Compute the total number of remaining EDUs for the Planning Area based on any Final Maps, condominium plans, sequence sheets, and any other available information by multiplying the projected number of units of Residential Property in each Land Use Class and the projected number of Acres of Non-Residential Property for which building permits have not yet been issued (including those units or Acres for which permits are currently being requested) by the applicable EDU factor indicated in Table 1.

c) Compute the total number of expected EDUs within the Planning Area by adding the results in steps D.2.a and D.2.b above.

d) Compute the total Backup Special Tax A Revenues from property in the Planning Area for which building permits were previously issued by summing the current amount (including any escalation pursuant to Section D.3 below) of the Backup Special Tax A for each parcel of property for which building permits were previously issued.

e) Subtract the total Backup Special Tax A Revenues calculated in step D.2.d above from the Required Backup Special Tax A Revenues for the Planning Area as indicated in Table 3 (as escalated pursuant to Section D.1 above).

f) Calculate the Backup Special Tax A per EDU by dividing the remaining Backup Special Tax A Revenues calculated in step D.2.e above by the remaining EDUs calculated in step D.2.b above.

g) The Backup Special Tax A for each Assessor's Parcel for which building permits are being requested shall equal the Backup Special Tax A per EDU calculated in step D.2.f. above multiplied by the applicable EDU factor for such Assessor's Parcel.

Once the Backup Special Tax A is calculated for an Assessor's Parcel, it shall not change, other than through application of the annual escalator described in Section D.3 below.

3. Increase in the Backup Special Tax A

Once calculated, the Backup Special Tax A applicable to an Assessor's Parcel shall be increased on each July 1 by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

1. Special Tax A

Commencing with Fiscal Year 2007-08 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement for Facilities and shall levy the Special Tax A as follows:

First: The Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax A as needed to satisfy the Special Tax Requirement for Facilities;

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

Third: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to the Maximum Special Tax A for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax A for Taxable Property Owner Association Property.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax A for Taxable Public Property.

2. Special Tax B

Commencing with Fiscal Year 2007-08 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement for Services and shall levy the Special Tax B as follows:

First: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax B as needed to satisfy the Special Tax Requirement for Services;

Second: If additional monies are needed to satisfy the Special Tax Requirement for Services after the first step has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax B for Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be

increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the CFD.

F. EXEMPTIONS

1. Special Tax A

No Special Tax A shall be levied on up to 18.0 Acres of Property Owner Association Property and 29.5 Acres of Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property.

However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked. Property Owner Association Property or Public Property that is not exempt from Special Tax A under this section shall be subject to the levy of the Special Tax A and shall be taxed Proportionately as part of the fourth and/or fifth steps in Section E.1 above, as applicable, at up to 100% of the applicable Maximum Special Tax A for Taxable Property Owner Association Property or Taxable Public Property.

2. Special Tax B

No Special Tax B shall be levied on Property Owner Association Property and Public Property.

G. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct and requesting a refund may file a written notice of appeal and refund to that effect with the CFD Administrator not later than one calendar year after having paid the Special Tax that is disputed. The CFD Administrator 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 decide the appeal. If the CFD Administrator's decision requires the Special Tax be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the next Special Tax levy. Any dispute over the decision of the CFD Administrator shall be referred to the City Council and the decision of the City Council shall be final. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

H. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 06-1 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.

I. PREPAYMENT OF SPECIAL TAX A

The following definition applies to this Section I:

"CFD Public Facilities" means either \$37.0 million in 2006 dollars, which shall increase by the Construction Inflation Index on July 1, 2007, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 06-1 under the authorized bonding program for CFD No. 06-1, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section E.

“Construction Fund” means an account specifically identified in the Fiscal Agent Agreement to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance public facilities costs.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under the Fiscal Agent Agreement after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full

Any Assessor’s Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be prepaid. The Special Tax A obligation applicable to such Assessor’s Parcel in CFD No. 06-1 may be fully prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax A 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 Special Tax A obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor’s Parcel. The CFD Administrator may charge a reasonable fee for providing this amount.

The Special Tax B may not be prepaid.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest Credit
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. For Assessor’s Parcels of Developed Property, compute the Assigned Special Tax A and Backup Special Tax A applicable for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax A and Backup Special Tax A for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor’s Parcel.

2. (a) Divide the Assigned Special Tax A computed pursuant to paragraph 1 by the total estimated Assigned Special Tax A for the entire CFD No. 06-1 based on the Developed Property Special Tax A which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 06-1, and

(b) Divide the Backup Special Tax A computed pursuant to paragraph 1 by the total estimated Backup Special Tax A at buildout for the entire CFD No. 06-1.

3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

5. Compute the current Future Facilities Costs.

6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

7. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.

8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.

10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. Verify the administrative fees and expenses of No. 06-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

13. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Fiscal Agent Agreement) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.

14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the expected

balance in the capitalized interest fund after such first interest and/or principal payment (the “Capitalized Interest Credit”).

15. The Special Tax A prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the “Prepayment Amount”).

16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Fiscal Agent Agreement and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 06-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Fiscal Agent Agreement to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year’s Special Tax A levy as determined under paragraph 11 (above), the CFD Administrator shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. With respect to any Assessor’s Parcel that is prepaid, the Council 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 A lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax A shall cease.

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless the Maximum Special Tax A that may be levied on Taxable Property, excluding Taxable Property Owner Association Property and Taxable Public Property, within CFD No. 06-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Maximum Special Tax A on an Assessor’s Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be partially prepaid. 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:

$$PP = (PE - A) (F + A.$$

These terms have the following meaning:

- PP = the partial prepayment
- PE = the Prepayment Amount calculated according to Section I.1
- F = the percent by which the owner of the Assessor’s Parcel(s) is partially prepaying the Maximum Annual Special Tax A.
- A = the Administrative Fees and Expenses according to Section I.1

The owner of any Assessor’s Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner’s intent to partially prepay the Special Tax A and (ii) the percentage by which the Special Tax A shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax A for an Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section I.1., and (ii) indicate in the records of CFD No. 06-1 that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A shall continue to be levied on such Assessor's Parcel pursuant to Section E.

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless the Maximum Special Tax A that may be levied on Taxable Property, excluding Taxable Property Owner Association Property and Taxable Public Property, within CFD No. 06-1 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 SPECIAL TAX

The Special Tax A shall be levied for the period necessary to fully satisfy items (1), (3), (4), and (6) of the Special Tax Requirement for Facilities, but in no event shall it be levied after 2046-47. The Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.

APPENDIX F

**INFORMATION CONCERNING THE CITY OF ORANGE
AND COUNTY OF ORANGE**

The following information concerning the City of Orange and the County of Orange is presented as general background data. The Bonds are not an obligation of the City of Orange, the County of Orange, the State of California or any of its political subdivisions, and neither the City, the County of Orange, the State nor any of its political subdivisions is liable therefor.

General Description

The City is a general law city organized and existing under the laws of the State of California. The City, incorporated on February 28, 1928, is located along the California coast, at the southern tip of Orange County, about 60 miles south of Los Angeles and 60 miles north of San Diego. The City currently occupies a land area of approximately 18.45 square miles.

The City operates under a council-manager form of government, with a five-member council. Beginning in 2024, two City Council members were elected by district to four-year terms. In 2026, two additional City Council members will be elected by district to four-year terms and the mayor will be elected at large for a two-year term. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing day-to-day City operations, and appointing the heads of various departments. The City Council is elected on a non-partisan basis.

Population

The historic population of the City, the County and the State is shown below.

**POPULATION ESTIMATES
City of Orange, Orange County and the State of California
2016-2025⁽¹⁾**

<i>Year</i>	<i>City of Orange</i>	<i>County of Orange</i>	<i>State of California</i>
2016	140,207	3,165,028	39,036,749
2017	140,281	3,185,541	39,273,915
2018	140,777	3,192,479	39,429,439
2019	140,980	3,192,408	39,503,656
2020	140,469	3,188,326	39,535,623
2021	139,249	3,174,592	39,369,530
2022	137,946	3,159,797	39,179,680
2023	138,430	3,156,200	39,228,444
2024	138,403	3,170,070	39,420,663
2025	139,724	3,175,427	39,529,101

⁽¹⁾ January 1 data.

Source: California State Department of Finance, Demographic Research Unit., *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark and E-4 Population Estimates for Cities, Counties, and the State, 2021-2025, with 2020 Census Benchmark.*

Building Activity

The following tables summarize building permits and valuations for the City and the County during calendar years 2020 through 2024.

BUILDING PERMITS AND VALUATIONS City of Orange 2020-2024 (Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation (In \$000's)					
Residential	\$18,865	\$57,331	\$28,674	\$59,916	\$37,220
Nonresidential	<u>8,588</u>	<u>48,549</u>	<u>25,889</u>	<u>38,932</u>	<u>110,042</u>
Total Valuation ⁽¹⁾	\$27,453	\$105,880	\$54,563	\$98,848	\$147,262
New Dwelling Units (#)					
Single-Family	17	31	36	37	68
Multifamily	<u>6</u>	<u>154</u>	<u>6</u>	<u>18</u>	<u>3</u>
Total:	23	185	42	55	71

⁽¹⁾ Total may not add up due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS County of Orange 2020-2024 (Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation (\$000):					
Residential	\$ 1,870,958	\$ 2,393,961	\$ 2,214,772	\$ 2,573,625	\$ 2,216,030
Non-residential	<u>1,984,321</u>	<u>1,825,076</u>	<u>1,928,312</u>	<u>1,994,878</u>	<u>1,841,283</u>
Total*	\$ 3,85,279	\$ 4,29,037	\$ 4,143,084	\$ 4,568,503	\$ 4,057,313
Residential Units:					
Single family	2,863	3,292	2,929	2,688	2,295
Multiple family	<u>3,032</u>	<u>4,382</u>	<u>3,405</u>	<u>9,725</u>	<u>3,969</u>
Total	5,895	7,674	6,334	12,413	6,264

⁽¹⁾ Total may not add up due to rounding.

Source: Construction Industry Research Board.

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Employment

The following table summarizes the labor force, employment and unemployment figures over the past five years for the City, the County, the State of California and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Orange, Orange County, and the State of California 2020-2024⁽¹⁾

	Labor Force	Employment	Unemployment	Unemployment Rate
2020				
City of Orange	70,600	64,800	5,700	8.1%
County of Orange	1,575,300	1,436,000	139,300	8.8
State of California	18,956,600	17,039,800	1,916,800	10.1
2021				
City of Orange	70,300	66,400	3,900	5.5%
County of Orange	1,569,400	1,476,000	93,400	6.0
State of California	18,954,600	17,564,900	1,389,700	7.3
2022				
City of Orange	71,900	69,700	2,200	3.1%
County of Orange	1,593,400	1,542,300	51,100	3.2
State of California	19,218,300	18,393,900	824,400	4.3
2023				
City of Orange	73,400	70,800	2,600	3.5%
County of Orange	1,611,700	1,555,70	56,000	3.5
State of California	19,471,000	18,551,800	919,200	4.7
2024				
City of Orange	73,800	71,000	2,800	3.8%
County of Orange	1,623,300	1,559,600	63,600	3.9
State of California	19,644,100	18,600,900	1,043,100	5.3

⁽¹⁾ Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: California Employment Development Department, *Labor Force and Unemployment Rate for Cities and Census Designated Places. March 2024 Benchmark*

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Industry

The following table summarizes employment figures by industry for the Anaheim-Santa Ana-Irvine Metropolitan Division, which is located entirely within the County.

ANAHEIM-SANTA ANA-IRVINE MD INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2020	2021	2022	2023	2024
Civilian Labor Force	1,575,300	1,569,400	1,593,400	1,611,700	1,623,300
Civilian Employment	1,436,000	1,476,000	1,542,300	1,555,700	1,559,600
Civilian Unemployment	139,300	93,400	51,100	56,000	63,600
Civilian Unemployment Rate	8.8%	6.0%	3.2%	3.5%	3.9%
Total Farm	1,900	2,000	1,700	1,700	1,700
Total Nonfarm	1,532,700	1,587,800	1,666,000	1,677,500	1,690,200
Total Private	1,376,700	1,432,200	1,507,800	1,517,700	1,527,500
Goods Producing	251,700	252,300	261,100	261,400	261,000
Mining and Logging	400	400	300	300	400
Construction	101,300	102,200	105,300	104,500	105,600
Manufacturing	150,100	149,800	155,400	156,600	154,900
Service Providing	1,281,000	1,335,500	1,404,900	1,416,100	1,429,200
Trade, Transportation and Utilities	244,100	252,000	258,300	262,500	260,800
Wholesale Trade	76,800	77,500	79,000	81,100	80,500
Retail Trade	137,600	143,400	145,500	145,800	144,700
Transportation, Warehousing and Utilities	29,600	31,100	33,800	35,700	35,600
Information	24,100	24,000	24,300	22,700	22,200
Financial Activities	115,900	117,100	112,300	103,700	103,900
Professional and Business Services	309,200	321,700	331,500	320,100	316,900
Private Education and Health Services	225,800	237,300	249,200	262,200	272,600
Leisure and Hospitality	161,800	180,400	217,900	229,800	234,200
Other Services	44,100	47,500	53,100	55,200	56,100
Government	<u>156,100</u>	<u>155,700</u>	<u>158,200</u>	<u>159,800</u>	<u>162,700</u>
Total, All Industries	1,534,600	1,589,800	1,667,700	1,679,200	1,691,900

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix C.

Source: State of California, Employment Development Department, *Industry Employment & Labor Force by Annual Average, March 2025 Benchmark.*

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Largest Employers

The following table presents the largest employers in the County as of June 30, 2025.

LARGEST EMPLOYERS County of Orange 2025

<i>Name of Business</i>	<i>Number of Employees</i>	<i>Type of Business</i>
Walt Disney Co.	36,000	Amusement Park
University of California, Irvine	34,085	University
Providence Southern California	25,155	Medical Center
County of Orange	18,811	Local Government
Kaiser Permanente	10,293	Medical Center
Hoag Memorial Hospital Presbyterian	8,081	Medical Center
Allied Universal.	7,214	Services
Albertsons	7,152	Supermarkets
MemorialCare	6,326	Medical Center
CHOC Hospital	5,555	Medical Center

Source: County of Orange Comprehensive Annual Financial Report, Year Ended June 30, 2025.

The following table presents the largest employers in the City as of June 30, 2025.

LARGEST EMPLOYERS City of Orange 2025

<i>Name of Business</i>	<i>Number of Employees</i>	<i>Type of Business</i>
UCI Health Medical Center	6,240	Medical Center
Rady's Children's Health	3,938	Medical Center
Providence St. Joseph Hospital Orange	3,500	Medical Center
Chapman University	1,300	Education
CalOptima Health	1,000	Health
Wilson Automotive	915	Car Dealership
City of Orange	875	Local Government
Santiago Canyon College (SCC)	812	Education
MS International Inc.	514	Technical Services
Orange County Transportation Authority	500	Government Agency

Source: City of Orange Comprehensive Annual Financial Report, Year Ended June 30, 2025.

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Income

The following tables show the personal income and per capita personal income for the County, State of California and United States from 2020 through 2024.

PERSONAL INCOME
County of Orange, State of California, and United States
2020-2024
(Dollars in Thousands)

<i>Year</i>	<i>County of Orange</i>	<i>California</i>	<i>United States</i>
2020	239,226	2,770,489	19,613,059
2021	258,628	3,019,216	21,484,168
2022	267,135	3,021,645	22,144,814
2023	282,269	3,182,779	23,577,208
2024	298,129	3,400,237	24,897,613

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

PER CAPITA PERSONAL INCOME⁽¹⁾
County of Orange, State of California, and United States
2020-2024

<i>Year</i>	<i>County of Orange</i>	<i>California</i>	<i>United States</i>
2020	75,080	70,100	59,151
2021	81,861	77,134	64,692
2022	84,577	77,196	66,298
2023	89,480	81,196	70,002
2024	94,034	86,232	73,204

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

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

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Sales Taxes

The following table shows taxable transactions in Orange by type of business during calendar years 2021 through 2025.

City of Orange Taxable Transactions (Dollars in thousands)					
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
Motor Vehicle and Parts Dealers	\$ 693,841	\$ 707,649	\$ 685,494	\$ 673,629	\$ 674,211
Home Furnishings and Appliance Stores	114,799	115,526	90,102	98,902	112,750
Building Material and Garden Equipment and Supplies Dealers	335,882	362,231	359,643	359,661	345,253
Food and Beverage Stores	138,035	149,440	153,846	163,197	157,385
Gasoline Stations	242,243	297,190	261,198	238,792	232,492
Clothing and Clothing Accessories Stores	267,916	294,087	285,398	276,797	275,661
General Merchandise Stores	150,860	150,547	148,346	148,532	138,258
Food Services and Drinking Places	473,640	540,945	571,200	587,579	588,160
Other Retail Group	<u>239,823</u>	<u>230,410</u>	<u>221,675</u>	<u>207,021</u>	<u>195,164</u>
Total Retail and Food Services	\$ 2,657,040	\$ 2,848,026	\$ 2,776,902	\$ 2,754,110	\$ 2,719,335
All Other Outlets	<u>\$ 1,817,024</u>	<u>\$ 2,397,929</u>	<u>\$ 2,197,387</u>	<u>\$ 2,004,694</u>	<u>\$ 1,973,639</u>
Total All Outlets	\$ 4,474,065	\$ 5,245,955	\$ 4,974,290	\$ 4,758,804	\$ 4,692,974

Source: California Department of Tax and Fee Administration, *Taxable Sales – Cities by Type of Business (Taxable Table 4)*.

The history of taxable transactions in the County from 2021 through 2025 is shown in the following table.

TAXABLE SALES County of Orange 2021-2025

<i>Year</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2021	500,880	78,253,935,670
2022	484,486	88,027,070,683
2023	466,492	87,298,416,754
2024	469,515	86,337,412,602
2025	471,470	426,919,623,697

Source: California Department of Tax and Fee Administration, *Taxable Sales – Counties by Type of Business (Taxable Table 3)*.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)

