

*In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (“Code”). In the further opinion of Bond Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS.”*

**\$6,345,000**

**COMMUNITY FACILITIES DISTRICT NO. 2015-2  
OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT  
SERIES 2019 SPECIAL TAX BONDS**

**Dated: Date of Delivery**

**Due: September 1, as shown below**

The Community Facilities District No. 2015-2 of the Moreno Valley Unified School District Series 2019 Special Tax Bonds (the “Bonds”) are being issued by Community Facilities District No. 2015-2 of the Moreno Valley Unified School District (the “District”) to (i) finance directly or indirectly certain school, water, and sewer facilities (the “Facilities”) of benefit to the District, (ii) fund a reserve fund securing the Bonds, (iii) fund capitalized interest on the Bonds, and (iv) pay the costs of issuance of the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to Resolution No. 2018-19-58 adopted by the Board of Education of the Moreno Valley Unified School District (the “School District”) acting as the legislative body of the District, and that certain Fiscal Agent Agreement entered into by and between the District and U.S. Bank National Association, as Fiscal Agent for the Bonds, dated as of March 1, 2019 (the “Fiscal Agent Agreement”).

**The Bonds are secured under the Fiscal Agent Agreement and are payable from Net Taxes (as defined herein) derived from certain annual Special Taxes (as defined herein) to be levied on taxable property and from certain other funds pledged under the Fiscal Agent Agreement, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the Board of Education of the School District and the qualified electors within the District. See “SOURCES OF PAYMENT FOR THE BONDS” and Appendix A – “RATE AND METHOD OF APPORTIONMENT.”**

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds (“Beneficial Owners”) will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable commencing September 1, 2019, and semiannually thereafter on each March 1 and September 1. Principal of and interest on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See “THE BONDS – General Provisions” and Appendix G – “BOOK-ENTRY-ONLY SYSTEM.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to optional redemption, special mandatory redemption from prepaid Special Taxes and mandatory sinking fund redemption prior to maturity as set forth herein.

**Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See “SPECIAL RISK FACTORS” herein for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds are not rated by any credit rating agency.**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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MATURITY SCHEDULE

See Inside Cover Page

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The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel. Certain legal matters will be passed on for the District and the School District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, as special counsel to said entities, for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Disclosure Counsel, for the Underwriter by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, and for the Fiscal Agent by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about March 28, 2019.

**PiperJaffray**

**MATURITY SCHEDULE**

**COMMUNITY FACILITIES DISTRICT NO. 2015-2 OF THE  
MORENO VALLEY UNIFIED SCHOOL DISTRICT  
SERIES 2019 SPECIAL TAX BONDS**

**\$2,080,000 Serial Bonds**

| <b><u>Maturity Date<br/>(September 1)</u></b> | <b><u>Principal Amount</u></b> | <b><u>Interest Rate</u></b> | <b><u>Yield</u></b>   | <b><u>CUSIP No.<sup>†</sup></u></b> |
|---|--------------------------------|-----------------------------|-----------------------|-------------------------------------|
| 2029  | \$115,000                      | 5.000%                      | 3.190% <sup>(1)</sup> | 616874RC9                           |
| 2030  | 130,000                        | 5.000                       | 3.350 <sup>(1)</sup>  | 616874RD7                           |
| 2031  | 145,000                        | 3.250                       | 3.490                 | 616874RE5                           |
| 2032  | 155,000                        | 3.375                       | 3.660                 | 616874RF2                           |
| 2033  | 170,000                        | 3.500                       | 3.770                 | 616874RG0                           |
| 2034  | 185,000                        | 3.625                       | 3.860                 | 616874RH8                           |
| 2035  | 200,000                        | 3.750                       | 3.920                 | 616874RJ4                           |
| 2036  | 215,000                        | 3.750                       | 3.980                 | 616874RK1                           |
| 2037  | 235,000                        | 3.875                       | 4.040                 | 616874RL9                           |
| 2038  | 255,000                        | 3.875                       | 4.080                 | 616874RM7                           |
| 2039  | 275,000                        | 4.000                       | 4.120                 | 616874RN5                           |

**\$155,000 – 3.000% Term Bonds due September 1, 2022, Yield: 2.360% CUSIP No. <sup>†</sup>: 616874QY2**

**\$100,000 – 4.000% Term Bonds due September 1, 2024, Yield: 2.560% CUSIP No. <sup>†</sup>: 616874QZ9**

**\$140,000 – 5.000% Term Bonds due September 1, 2026, Yield: 2.810% CUSIP No. <sup>†</sup>: 616874RA3**

**\$190,000 – 5.000% Term Bonds due September 1, 2028, Yield: 3.030%<sup>(1)</sup> CUSIP No. <sup>†</sup>: 616874RB1**

**\$1,740,000 – 5.000% Term Bonds due September 1, 2044, Yield: 4.020%<sup>(2)</sup> CUSIP No. <sup>†</sup>: 616874RP0**

**\$1,940,000 – 5.000% Term Bonds due September 1, 2048, Yield: 4.060%<sup>(2)</sup> CUSIP No. <sup>†</sup>: 616874RQ8**

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<sup>†</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor, the District or the School District is responsible for the selection or correctness of the CUSIP numbers set forth herein, and no representation is made as to their correctness on the applicable Bonds or as included herein. CUSIP numbers have been assigned by an independent company not affiliated with the School District, the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

<sup>(1)</sup> Yield to call at 103% on September 1, 2025.

<sup>(2)</sup> Yield to call at par on September 1, 2028.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the School District and the District. No dealer, broker, salesperson or other person has been authorized by the School District, the District, the Fiscal Agent or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those 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 School District, the District, the Fiscal Agent or the Underwriter. 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 a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at [www.emma.msrb.org](http://www.emma.msrb.org). However, the information presented on such website is not incorporated herein by any reference.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the School District or the District. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the School District for further information. While the School District maintains an internet website and certain social media accounts for various purposes, none of the information on such website and social accounts is incorporated by reference herein or is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the School District. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “THE COMMUNITY FACILITIES DISTRICT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE SCHOOL DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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

**MORENO VALLEY UNIFIED SCHOOL DISTRICT  
COUNTY OF RIVERSIDE  
STATE OF CALIFORNIA**

**BOARD OF EDUCATION<sup>(1)</sup>**

Jesus M. Holguin, President, Trustee Area 1  
Cleveland Johnson, Vice President, Trustee Area 3  
Dr. Marsha S. Locke, Clerk, Trustee Area 4  
Susan Smith, Member, Trustee Area 2

**SCHOOL DISTRICT STAFF**

Dr. Martinrex Kedziora, Superintendent  
Tina Daigneault, Chief Business Official

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**SPECIAL TAX CONSULTANT**

Special District Financing & Administration LLC  
Escondido, California

**FISCAL AGENT**

U.S. Bank National Association  
Los Angeles, California

**REAL ESTATE APPRAISER**

Integra Realty Resources  
San Francisco, California

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<sup>(1)</sup> The seat for Trustee Area 5 is currently vacant, and is expected to be filled following the results of a special election to be held on May 7, 2019.

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**\$6,345,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2015-2**  
**OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT**  
**SERIES 2019 SPECIAL TAX BONDS**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, inside cover page, the table of contents and the appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by Community Facilities District No. 2015-2 (the “District” or the “Community Facilities District”) of the Moreno Valley Unified School District (the “School District”) of the District’s Series 2019 Special Tax Bonds (the “Bonds”) in the aggregate principal amount of \$6,345,000.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”), a Fiscal Agent Agreement dated as of March 1, 2019 (the “Fiscal Agent Agreement”) by and between the District and U.S. Bank National Association (the “Fiscal Agent”), and Resolution No. 2018-19-58 adopted by the Board of Education of the School District (the “School Board”), acting as the legislative body of the District, on February 12, 2019 (the “Resolution of Issuance”). The Bonds are secured under the Fiscal Agent Agreement by a pledge of and lien upon Net Taxes (as defined herein) and all moneys in the Special Tax Fund as described in the Fiscal Agent Agreement (except the Administrative Expense Requirement (as defined herein)). See “SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are being sold pursuant to a Bond Purchase Agreement (the “Purchase Agreement”) between Piper Jaffray & Co. (the “Underwriter”) and the District.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement and, as such, a full review of the entire Official Statement should be made. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT – Definitions.”

**Purpose of the Bonds**

Proceeds of the Bonds will be used to (i) finance certain school facilities (the “School Facilities”) for the School District, and finance, directly or indirectly, the acquisition and construction of certain water and sewer facilities (the “EMWD Facilities,” and together with the School Facilities, the “Facilities”) owned by the Eastern Municipal Water District (“EMWD”), each as further described herein, (ii) fund a Reserve Fund for the Bonds, (iii) fund capitalized interest on the Bonds, and (iv) pay the costs of issuing the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICT – Description of Authorized Facilities.”

**The District**

The District was formed on April 14, 2015, and the Bonds are being issued pursuant to the Act, the Resolution of Issuance, and the Fiscal Agent Agreement. The 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 of California (the “State”). Any local agency (as defined in the 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 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. See “THE COMMUNITY FACILITIES DISTRICT – Formation and Authorization” for additional details regarding the formation of the District and proceedings related thereto.

The District is located in the City of Moreno Valley, California (the “City”). Incorporated in 1984, the City is located in the northwest portion of the County of Riverside (the “County”). The District’s boundaries are located north of Cactus Avenue, south of Brodiaea Avenue and west of Wilmot Street. The District comprises a residential community known as Bella Cortina, and includes 159 lots that are being developed into single family detached homes. As of November 1, 2018, the value date of the Appraisal Report (as defined herein), the District contained 34 completed homes occupied by individual homeowners, 26 completed homes owned by KB HOME California LLC, a Delaware limited liability company (the “Developer” or “KB”), as well as 44 houses under construction and 55 physically finished lots. The five floor plans currently available in the District range in size from 1,772 square feet to 3,061 square feet. The Developer is planning to include three additional floor plans within the District, which are expected to comprise 33 of the 55 finished lots. These three additional floor plans are expected to range in size from 1,474 square feet to 2,239 square feet. Architectural plans for these three additional floor plans are undergoing final review and approval by the City.

For additional information regarding the Developer, as well as the current development status of property within the District, see “OWNERSHIP AND DEVELOPMENT OF THE DISTRICT.”

### **Forward Looking Statements**

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 a “plan,” “expect,” “estimate,” “project,” “intend,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption “THE COMMUNITY FACILITIES DISTRICT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

### **Sources of Payment for the Bonds**

**Special Taxes.** As used in this Official Statement, (i) the term “Special Tax” means that tax levied within the District pursuant to the Act, the Rate and Method, the Resolution of Formation, the Ordinance, and the voter approvals obtained at the Election (as such terms are defined herein), and (ii) the term “Rate and Method” means the Rate and Method of Apportionment of Special Taxes of the District as set forth in the Ordinance and approved pursuant to the Act, as such may be amended or interpreted from time to time. See “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes,” “THE COMMUNITY FACILITIES DISTRICT – Formation and Authorization,” and Appendix A – “RATE AND METHOD OF APPORTIONMENT.” Under the Fiscal Agent Agreement, the District has pledged to repay the Bonds from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the

District (the “Net Taxes”) and from certain amounts in the Special Tax Fund established under the Fiscal Agent Agreement.

The Net Taxes are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Special Tax Fund (other than the Administrative Expense Requirement), the Reserve Fund and the Letter of Credit Fund, to the extent described in the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund” and “—Letter of Credit Fund.”

***Foreclosure Proceeds.*** The District has also covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant, see “SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Foreclosure Sales” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.**

***Additional Bonds; Other Taxes and Assessments.*** The District may not issue additional indebtedness secured by the Net Taxes on a parity with the Bonds except for the purpose of refunding all or a portion of the Bonds then Outstanding, or additional indebtedness that is subordinate to the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – Issuance of Parity Bonds.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within the District by other public agencies which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See “SPECIAL RISK FACTORS – Parity Taxes and Special Assessments.”

### **Description of the Bonds**

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Fiscal Agent Agreement. See Appendix G – “BOOK-ENTRY-ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds is payable by the Fiscal Agent to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See Appendix G – “BOOK-ENTRY-ONLY SYSTEM.”

The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from prepaid Special Taxes as described herein. For more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

### **Tax Exemption**

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (“Code”). In the further opinion of Bond Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Set forth in Appendix B is the form of opinion Bond Counsel is expected to deliver in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “TAX MATTERS.”

### **The Appraisal Report and Bring Forward Letter**

Integra Realty Resources, San Francisco, California (the “Appraiser”) has prepared an appraisal report dated as of January 30, 2019, with a date of value of November 1, 2018 (the “Appraisal Report”), to provide an estimate of the aggregate market value of the fee simple interest in the land and existing improvements within the District. The Appraiser was of the opinion that the aggregate market value of the land and improvements within the District was \$38,672,000 as of November 1, 2018. See also “THE COMMUNITY FACILITIES DISTRICT – The Appraisal Report and Bring Forward Letter.”

The Appraiser has also prepared a Bring Forward Letter (the “Bring Forward Letter”), dated as of February 15, 2019, with an effective date of February 1, 2019, in which the Appraiser concludes that the estimated market value of the property within the District subject to the levy of Special Taxes as of February 1, 2019, was not less than the concluded value as of the November 1, 2018 date set forth in the Appraisal Report.

The Appraisal Report and Bring Forward Letter are subject to certain assumptions and limiting conditions set forth therein. See Tables 5 and 6 herein, for a breakdown of the appraised value-to-lien ratios within the District, and Appendix H – “THE APPRAISAL REPORT AND BRING FORWARD LETTER.” The Appraisal Report does not reflect sales of homes or development of lots in the District subsequent to the date thereof. The Appraisal Report and the Bring Forward Letter do not reflect the planned inclusion of three additional floor plans into the Bella Cortina development, as discussed above and in “OWNERSHIP AND DEVELOPMENT OF THE DISTRICT.”

### **Professionals Involved in the Offering**

U.S. Bank National Association, Los Angeles, California, will act as Fiscal Agent under the Fiscal Agent Agreement. Piper Jaffray & Co. is acting as the Underwriter of the Bonds. Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, is acting as Bond Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Disclosure Counsel to the District in connection with the Bonds. Certain legal matters will be passed on for the District and the School District by Atkinson, Andelson, Loya, Ruud & Romo, A

Professional Law Corporation, Irvine, California, as special counsel to such entities, for the Underwriter by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, as Underwriter's Counsel, and for the Fiscal Agent by its counsel. Fieldman Rolapp & Associates, Inc., Irvine, California, is acting as municipal advisor (the "Municipal Advisor") to the District in connection with the Bonds. Special District Financing & Administration LLC, Escondido, California is serving as Special Tax Consultant to the District in connection with the issuance of the Bonds. KeyAnalytics is acting as initial dissemination agent under the District Continuing Disclosure Agreement and the Developer Continuing Disclosure Agreement (each as defined herein), and, subsequent to the issuance of the Bonds, will serve as Special Tax Consultant to the District in connection therewith. Integra Realty Resources, San Francisco, California, is serving as the Appraiser.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see "FINANCIAL INTERESTS."

### **Continuing Disclosure**

Pursuant to the District Continuing Disclosure Agreement relating to the Bonds, dated as of March 1, 2019 (the "District Continuing Disclosure Agreement"), by and between the District and KeyAnalytics, the District will agree to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (the "MSRB"), which can be found at [www.emma.msrb.org](http://www.emma.msrb.org) ("EMMA"), certain financial information and operating data on an annual basis. The District has further agreed to provide notice to EMMA of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 ("Rule 15c2-12") adopted by the Securities and Exchange Commission (the "SEC").

The Underwriter has not determined that the Developer is an "obligated person" with respect to the Bonds for purposes of the Rule 15c2-12. However, to assist in the marketing of the Bonds, the Developer will agree, pursuant to the Developer Continuing Disclosure Agreement relating to the Bonds, dated as of March 1, 2019 (the "Developer Continuing Disclosure Agreement"), by and between the Developer and KeyAnalytics, to provide or cause to be provided to EMMA certain information on a semi-annual basis with respect to such entity and its property ownership and development within the District, and notice of certain listed events, until such time as the property in the District owned by the Developer is responsible for less than 20% of the annual Special Tax levy, assuming no capitalized interest.

See "CONTINUING DISCLOSURE" for information regarding the District's and Developer's covenants, as well as information concerning the past compliance of the District, the School District and its related entities, and the Developer with their respective obligations entered into pursuant to Rule 15c2-12. See Appendices E and F hereto for the forms of the District Continuing Disclosure Agreement and Developer Continuing Disclosure Agreement.

### **Bond Owners' Risks**

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency, and the District currently has no plans to make an application to any rating agency for the assignment of a rating to the Bonds. The purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors. See "SPECIAL RISK FACTORS."

## Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Fiscal Agent Agreement are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Fiscal Agent Agreement, the Bonds and the constitution and laws of the State as well as the proceedings of the School Board, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the School District at 25634 Alessandro Boulevard, Moreno Valley, California 92553, Attention: Chief Business Official.

### ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds.

#### Sources of Funds

|                                 |                       |
|---------------------------------|-----------------------|
| Principal Amount of Bonds       | \$6,345,000.00        |
| Plus Net Original Issue Premium | 316,721.50            |
| Less Underwriter's Discount     | <u>(95,175.00)</u>    |
| Total Sources                   | <u>\$6,566,546.50</u> |

#### Uses of Funds:

|   |                       |
|---|-----------------------|
| School Facilities Account of the Construction Fund                                      | \$2,761,609.14        |
| EMWD Facilities Account of the Construction Fund  | 2,761,599.13          |
| Administrative Expense Fund   | 31,500.00             |
| Reserve Fund  | 534,304.48            |
| Capitalized Interest Subaccount of the Interest Account of the Bond Fund <sup>(1)</sup> | 267,533.75            |
| Costs of Issuance Account of the Construction Fund <sup>(2)</sup>                       | <u>210,000.00</u>     |
| Total Uses  | <u>\$6,566,546.50</u> |

<sup>(1)</sup> Reflects capitalized interest on the Bonds through March 1, 2020.

<sup>(2)</sup> Represents aggregate amount of proceeds expected to be paid in respect of legal fees, fees of the Municipal Advisor, Special Tax Consultant fees, Fiscal Agent fees, appraisal fees, formation deposit reimbursements to the Developer, printing costs and other issuance costs.

Source: *The Underwriter and Municipal Advisor.*

## THE BONDS

### General Provisions

The Bonds will be dated their date of delivery (the “Dated Date”) and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each September 1 and March 1, commencing September 1, 2019 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest will be calculated on the basis of a 360-day year comprising twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after the 15th day of the calendar month (whether or not such day is a business day) preceding an Interest Payment Date (each, a “Record Date”) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the Dated Date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last 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, interest will be payable from the Dated Date of the Bonds.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Fiscal Agent on the close of business on the Record Date. Interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books of the Fiscal Agent as of the Record Date. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States of America.

Principal of the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Fiscal Agent in Los Angeles, California.

The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as the nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC’s procedures and the procedures of DTC’s Participants. See Appendix G – “BOOK-ENTRY-ONLY SYSTEM.”

## Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming that there are no optional or mandatory redemptions. However, it should be noted that the Rate and Method allows prepayment of the Special Taxes in full or in part, which event could result in mandatory redemption of all or portions of the Bonds. See “THE BONDS – Redemption” and “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes.”

### DEBT SERVICE SCHEDULE

| <b>Period Ending<br/>(September 1)</b> | <b>Principal</b>             | <b>Interest<sup>(1)</sup></b> | <b>Total</b>                  |
|--|------------------------------|-------------------------------|-------------------------------|
| 2019                                   | \$20,000.00                  | \$123,058.75                  | \$143,058.75                  |
| 2020                                   | 65,000.00                    | 288,950.00                    | 353,950.00                    |
| 2021                                   | 30,000.00                    | 287,000.00                    | 317,000.00                    |
| 2022                                   | 40,000.00                    | 286,100.00                    | 326,100.00                    |
| 2023                                   | 45,000.00                    | 284,900.00                    | 329,900.00                    |
| 2024                                   | 55,000.00                    | 283,100.00                    | 338,100.00                    |
| 2025                                   | 65,000.00                    | 280,900.00                    | 345,900.00                    |
| 2026                                   | 75,000.00                    | 277,650.00                    | 352,650.00                    |
| 2027                                   | 90,000.00                    | 273,900.00                    | 363,900.00                    |
| 2028                                   | 100,000.00                   | 269,400.00                    | 369,400.00                    |
| 2029                                   | 115,000.00                   | 264,400.00                    | 379,400.00                    |
| 2030                                   | 130,000.00                   | 258,650.00                    | 388,650.00                    |
| 2031                                   | 145,000.00                   | 252,150.00                    | 397,150.00                    |
| 2032                                   | 155,000.00                   | 247,437.50                    | 402,437.50                    |
| 2033                                   | 170,000.00                   | 242,206.26                    | 412,206.26                    |
| 2034                                   | 185,000.00                   | 236,256.26                    | 421,256.26                    |
| 2035                                   | 200,000.00                   | 229,550.00                    | 429,550.00                    |
| 2036                                   | 215,000.00                   | 222,050.00                    | 437,050.00                    |
| 2037                                   | 235,000.00                   | 213,987.50                    | 448,987.50                    |
| 2038                                   | 255,000.00                   | 204,881.26                    | 459,881.26                    |
| 2039                                   | 275,000.00                   | 195,000.00                    | 470,000.00                    |
| 2040                                   | 295,000.00                   | 184,000.00                    | 479,000.00                    |
| 2041                                   | 320,000.00                   | 169,250.00                    | 489,250.00                    |
| 2042                                   | 345,000.00                   | 153,250.00                    | 498,250.00                    |
| 2043                                   | 375,000.00                   | 136,000.00                    | 511,000.00                    |
| 2044                                   | 405,000.00                   | 117,250.00                    | 522,250.00                    |
| 2045                                   | 435,000.00                   | 97,000.00                     | 532,000.00                    |
| 2046                                   | 465,000.00                   | 75,250.00                     | 540,250.00                    |
| 2047                                   | 500,000.00                   | 52,000.00                     | 552,000.00                    |
| 2048                                   | <u>540,000.00</u>            | <u>27,000.00</u>              | <u>567,000.00</u>             |
| <b>Total</b>                           | <b><u>\$6,345,000.00</u></b> | <b><u>\$6,232,527.53</u></b>  | <b><u>\$12,577,527.53</u></b> |

<sup>(1)</sup> Interest payments on the Bonds will be made semiannually on March 1 and September 1 of each year, commencing September 1, 2019.

Source: The Underwriter.



## Redemption

**Optional Redemption.** The Bonds are subject to optional redemption from any source of funds other than from Special Tax prepayments, in whole, or in part in the order of maturity as selected by the District and by lot within a maturity, on any Interest Payment Date beginning September 1, 2025, at the following redemption prices (expressed as percentages of principal amount of the Bonds to be redeemed), together with accrued interest to the date set for redemption

| Redemption Dates   | Redemption Prices |
|--|-------------------|
| September 1, 2025 and March 1, 2026                        | 103%              |
| September 1, 2026 and March 1, 2027                        | 102               |
| September 1, 2027 and March 1, 2028                        | 101               |
| September 1, 2028 and any Interest Payment Date thereafter | 100               |

**Mandatory Sinking Fund Redemption.** The Bonds maturing on September 1, 2022 (“2022 Term Bonds”), are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 2019, and on each September 1 thereafter in accordance with the schedule set forth below. The 2022 Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such 2022 Term Bonds to be redeemed, plus accrued but unpaid interest, without premium.

### 2022 Term Bonds

| Redemption Year | Mandatory Sinking Payments |
|-----------------|----------------------------|
| 2019            | \$20,000                   |
| 2020            | 65,000                     |
| 2021            | 30,000                     |
| 2022 (maturity) | 40,000                     |

The Bonds maturing on September 1, 2024 (“2024 Term Bonds”), are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 2023, and on each September 1 thereafter in accordance with the schedule set forth below. The 2024 Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such 2024 Term Bonds to be redeemed, plus accrued but unpaid interest, without premium.

### 2024 Term Bonds

| Redemption Year | Mandatory Sinking Payments |
|-----------------|----------------------------|
| 2023            | \$45,000                   |
| 2024 (maturity) | 55,000                     |

The Bonds maturing on September 1, 2026 (“2026 Term Bonds”), are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 2025, and on each September 1 thereafter in accordance with the schedule set forth below. The 2026 Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such 2026 Term Bonds to be redeemed, plus accrued but unpaid interest, without premium.

**2026 Term Bonds**

| <b>Redemption Year</b> | <b>Mandatory Sinking Payments</b> |
|------------------------|-----------------------------------|
| 2025                   | \$65,000                          |
| 2026 (maturity)        | 75,000                            |

The Bonds maturing on September 1, 2028 (“2028 Term Bonds”), are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 2027, and on each September 1 thereafter in accordance with the schedule set forth below. The 2028 Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such 2028 Term Bonds to be redeemed, plus accrued but unpaid interest, without premium.

**2028 Term Bonds**

| <b>Redemption Year</b> | <b>Mandatory Sinking Payments</b> |
|------------------------|-----------------------------------|
| 2027                   | \$90,000                          |
| 2028 (maturity)        | 100,000                           |

The Bonds maturing on September 1, 2044 (“2044 Term Bonds”), are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 2040, and on each September 1 thereafter in accordance with the schedule set forth below. The 2044 Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such 2044 Term Bonds to be redeemed, plus accrued but unpaid interest, without premium.

**2044 Term Bonds**

| <b>Redemption Year</b> | <b>Mandatory Sinking Payments</b> |
|------------------------|-----------------------------------|
| 2040                   | \$295,000                         |
| 2041                   | 320,000                           |
| 2042                   | 345,000                           |
| 2043                   | 375,000                           |
| 2044 (maturity)        | 405,000                           |

The Bonds maturing on September 1, 2048 (“2048 Term Bonds,” and together with the 2022 Term Bonds, 2024 Term Bonds, 2026 Term Bonds, 2028 Term Bonds and 2044 Term Bonds, the “Term Bonds”), are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing September 1, 2045, and on each September 1 thereafter in accordance with the schedule set forth below. The 2048 Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such 2048 Term Bonds to be redeemed, plus accrued but unpaid interest, without premium.

**2048 Term Bonds**

| <b>Redemption Year</b> | <b>Mandatory Sinking Payments</b> |
|------------------------|-----------------------------------|
| 2045                   | \$435,000                         |
| 2046                   | 465,000                           |
| 2047                   | 500,000                           |
| 2048 (maturity)        | 540,000                           |

The Term Bonds to be so redeemed shall be determined by lot, and shall be redeemed at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

In the event of a partial optional redemption or special mandatory redemption of the Term Bonds, each of the remaining Mandatory Sinking Payments for the Term Bonds will be reduced pursuant to calculations provided to the Fiscal Agent, in increments of \$5,000.

**Special Mandatory Redemption from Prepaid Special Taxes.** The Bonds are subject to special mandatory redemption prior to their stated maturities, in whole or in part, on any Interest Payment Date for which timely notice may be given, in integral multiples of \$5,000 from moneys on deposit in the Prepayment Account of the Special Tax Fund, plus amounts transferred from the Reserve Fund pursuant to the Fiscal Agent Agreement, upon payment of the redemption prices set forth below, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

| <b>Redemption Dates</b>                                    | <b>Redemption Prices</b> |
|--|--------------------------|
| Any Interest Payment Date through March 1, 2026            | 103%                     |
| September 1, 2026 and March 1, 2027                        | 102                      |
| September 1, 2027 and March 1, 2028                        | 101                      |
| September 1, 2028 and any Interest Payment Date thereafter | 100                      |

Prepayments from prepaid Special Taxes could be made by any of the owners of any of the property within the District including the Developer, or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See “SPECIAL RISK FACTORS – Extraordinary Redemption from Prepaid Special Taxes.”

**Selection of Bonds for Redemption.** If less than all of the Outstanding Bonds are to be redeemed, the Fiscal Agent will select the Bonds to be redeemed as directed by the District, as provided in writing to the Fiscal Agent, and in the absence of such directions, pro rata among maturities and by lot within a single maturity. The portion of any such Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Bonds for redemption, the Fiscal Agent will treat such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000. In the event that Bonds are to be redeemed pursuant to optional redemption and mandatory sinking fund redemption on the same date, or mandatory sinking fund redemption and special mandatory redemption on the same date, the Fiscal Agent will first select the Bonds to be redeemed pursuant to mandatory sinking fund redemption and will then select the Bonds to be redeemed pursuant to either optional redemption or special mandatory redemption in accordance with the District’s written direction provided pursuant to the Fiscal Agent Agreement.

The Fiscal Agent will promptly notify the District of the Bonds, or portions thereof, selected for redemption by sending the District a copy of the notice required pursuant to the Fiscal Agent Agreement.

***Purchase in Lieu of Redemption.*** In lieu of, or partially in lieu of, any optional redemption, mandatory sinking fund redemption, or special mandatory redemption from prepaid Special Taxes, moneys deposited in an account of the Redemption Fund may be used to purchase the Outstanding Bonds that were to be redeemed with such funds in the manner provided in the Fiscal Agent Agreement. Purchases of Outstanding Bonds may be made by the District prior to the selection of Bonds for redemption, 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, and, any applicable premium to be paid in connection with the proposed redemption. Any accrued interest payable upon the purchase of Bonds may be paid from the Interest Account of the Bond Fund for payment of interest on the next following Interest Payment Date.

***Notice of Redemption.*** When the Fiscal Agent receives notice from the District of its election to redeem Bonds, or when the Fiscal Agent is required to redeem Bonds, the Fiscal Agent will give notice, in the name of the District, of the redemption of such Bonds. Such notice of redemption will: (a) specify the CUSIP numbers and serial numbers of the Bonds selected for redemption, except that where all the Bonds or all Bonds of a single maturity are subject to redemption, the serial numbers thereof need not be specified; (b) state the original issue date, the interest rate and the maturity date of the Bond selected for redemption; (c) state the date fixed for redemption; (d) state the redemption price; (e) state the place or places where the Bonds are to be redeemed; and (f) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed. Such notice will further state that, on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption the principal thereof, together with any premium, and interest accrued to the redemption date, and that, from and after such date, interest thereon will cease to accrue and be payable. At least 20 days but no more than 60 days prior to the redemption date, the Fiscal Agent will mail by first class mail a copy of such notice, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption will not be a condition precedent thereto, and neither failure to receive such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bond, or the cessation of interest on the redemption date. A certificate by the Fiscal Agent that notice of such redemption has been given as provided in the Fiscal Agent Agreement will be conclusive as against all parties, and it will not be open to any Owner to show that he or she failed to receive notice of such redemption.

Any redemption notice may specify that redemption of the Bonds designated for redemption on the specified date will be subject to the receipt by the District and/or the Fiscal Agent, as applicable, of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the District nor the Fiscal Agent will have any liability to the Owners of the Bonds, or any other party, as a result of the District's failure to redeem Bonds for redemption as a result of insufficient moneys therefor. Any notice of optional or special mandatory redemption from prepaid Special Taxes may be cancelled and annulled if for any reason funds are not, or will not be, available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. Such cancellation and annulment will not constitute a default under the Fiscal Agent Agreement. The District will not have any liability to the Bondowners, or any other party, as a result of the District's failure to redeem any of the Bond designated for redemption as a result of insufficient moneys therefor.

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

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

### **Registration, Transfer and Exchange**

***Registration.*** The Fiscal Agent will keep sufficient records for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond Register held by the Fiscal Agent.

***Transfer or Exchange.*** Whenever any Bond is surrendered for registration of transfer or exchange, the Fiscal Agent will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Fiscal Agent will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

## **SOURCES OF PAYMENT FOR THE BONDS**

### **Limited Obligations**

The Bonds are special, limited obligations of the District payable only from the Net Taxes and amounts pledged under the Fiscal Agent Agreement and from no other sources.

The Net Taxes are the primary security for the repayment of the Bonds. Under the Fiscal Agent Agreement, the District has pledged to repay the Bonds from Net Taxes (which are Special Tax revenues remaining after the payment of the Administrative Expenses of up to \$31,500 per Fiscal Year (the “Administrative Expense Requirement”)) and from amounts held in the Special Tax Fund established under the Fiscal Agent Agreement.

Special Tax revenues include the proceeds of the Special Taxes received by the District, including any scheduled payments and prepayments thereof and the net proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Special Tax Fund (other than the Administrative Expense Requirement), the Bond Fund, the Reserve Fund, and foreclosure proceeds resulting from the sale of delinquent parcels, if and when available. Notwithstanding any provision contained in the Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Administrative Expense Fund, the Rebate Fund and the Residual Fund will not be pledged to the Bonds and the Administrative Expense Fund, the Rebate Fund, the Construction Fund and the Residual Fund will not be construed as trust funds held for the benefit of the Bondowners. The Facilities constructed and acquired with the proceeds of the Bonds are not in any way pledged to pay, or security for, the debt service on the Bonds. Any proceeds of condemnation or destruction of any Facilities financed with the proceeds of the Bonds are not pledged to pay

the debt service on any Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

### **Special Taxes**

***Authorization and Pledge.*** In accordance with the provisions of the Act, the School District established the District on April 14, 2015, for the purpose of financing (i) the acquisition, construction and installation of the School Facilities, (ii) the EMWD Facilities, and (iii) paying incidental expenses. See also Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT - DEFINITIONS.” At a special election held on April 14, 2015, the owners of the property within the District authorized the District to incur bonded indebtedness in an amount not to exceed \$11,000,000, and approved the Rate and Method which authorizes the Special Tax to be levied within the District. See “THE COMMUNITY FACILITIES DISTRICT – Formation and Authorization.”

The District will covenant in the Fiscal Agent Agreement that each year it will fix and levy the amount of Special Taxes, subject to the maximum rates permitted under the Rate and Method, to provide, at a minimum for amounts required, together with other amounts on deposit in the Special Tax Fund, to pay (i) the principal of and interest on any Outstanding Bonds becoming due and payable in the ensuing year, (ii) any amounts required to replenish the Reserve Fund for the Bonds, (iii) the Administrative Expense Requirement, and (iv) any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes.

The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Rate and Method and the Resolution of Formation as described below. See “THE COMMUNITY FACILITIES DISTRICT – Formation and Authorization” and Appendix A – “RATE AND METHOD OF APPORTIONMENT.” There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See “SPECIAL RISK FACTORS – Insufficiency of Special Taxes.”

***Rate and Method of Apportionment of Special Tax.*** The District is legally authorized and will covenant to cause the levy of the Special Taxes in an amount determined according to a methodology, *i.e.*, the Rate and Method, which the School Board and the qualified electors of 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 herein. The District adopted the Rate and Method following a public hearing and an election conducted pursuant to the provisions of the Act. See “THE COMMUNITY FACILITIES DISTRICT – Formation and Authorization” and Appendix A – “RATE AND METHOD OF APPORTIONMENT.”

*The following is a synopsis of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is included in Appendix A – “RATE AND METHOD OF APPORTIONMENT.” The meaning of the defined terms used in this section are as set forth in Appendix A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in Appendix A.*

Developed and Undeveloped Property; Exempt Property. Each Fiscal Year, all Taxable Property within the District shall be classified as Developed Property or Undeveloped Property and shall be subject to Special Taxes in accordance with the Rate and Method. Assessor's Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. An Assessor's Parcel of Residential Property shall further be classified to its appropriate Land Use Category based on the Developed Floor Area of such Assessor's Parcel.

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

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

*“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.

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

*“Taxable Property”* means all of the Assessor's Parcels within the boundaries of the District which have not been prepaid pursuant to the Rate and Method, or which are not exempt from the Special Tax pursuant to law or the Rate and Method.

*“Property Owner Association Property”* means, for each Fiscal Year, any property within the boundaries of the District that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year.

*“Public Property”* means, for each Fiscal Year, any property within the boundaries of the District that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year, provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use, whichever is greater.

Tax exempt status of property within the District will be irrevocably assigned in the chronological order in which property becomes Public Property or Property Owner Association Property, provided however, that no such classification will reduce the sum of all Taxable Property to less than 23.55 acres.

Maximum Special Tax, Assigned Special Tax and Backup Special Tax. The Maximum Special Tax is defined in the Rate and Method as follows:

*Developed Property.* The Maximum Special Tax for each Assessor's Parcel of Developed Residential Property shall be the greater of (i) the amount derived by the application of the Assigned Special Tax or (ii) the amount derived by the application of the applicable Backup Special Tax, if any.

- *Assigned Special Tax.* The Fiscal Year 2018-19 Assigned Special Tax for Developed Residential Property varies from \$2,262.28 per dwelling unit to \$2,588.09 per dwelling unit,

depending on Developed Floor Area of the Unit. The Assigned Special Tax escalates by 2% annually.

- *Backup Special Tax.* The Fiscal Year 2018-19 Backup Special Tax per Assessed Parcel is \$2,757.90 per dwelling unit. The Backup Special Tax escalates by 2% annually and is subject to adjustment if all or any portion of a Final Map is changed or modified, as set forth in the Rate and Method.

*Undeveloped Property.* The Maximum Special Tax for Undeveloped Property within the District is \$16,756.05 per Acre for Fiscal Year 2018-19, and will thereafter increase by 2% annually.

Method of Apportionment. Under the Rate and Method, the District levies the Special Tax as follows:

*First:* The Special Tax shall be levied on each Assessor's Parcel of Developed Property at the applicable Assigned Special Tax;

*Second:* If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, including Public Property and Property Owner Association Property which is not then tax-exempt, at up to 100% of the Maximum Special Tax for Undeveloped Property;

*Third:* If additional moneys are needed to satisfy the Special Tax Requirement 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 shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel.

Notwithstanding the foregoing, if Special Taxes of the District are levied against any parcel used for private residential purposes, under no circumstances will such Special Tax be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the District by more than ten percent above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. See "SOURCES OF PAYMENT FOR THE BONDS – Estimated Debt Service Coverage."



Tables 1A and 1B below set forth the Fiscal Year 2018-19 Assigned Special Tax levies, and the projected Fiscal Year 2019-20 Assigned Special Tax levies, respectively, for each land use classification in the District.

**TABLE 1A  
COMMUNITY FACILITIES DISTRICT NO. 2015-2 OF  
THE MORENO VALLEY UNIFIED SCHOOL DISTRICT  
ASSIGNED SPECIAL TAX RATES  
FISCAL YEAR 2018-19**

|   | <u>Land Use Classification</u> | <u>Unit Type</u> | <u>Number of Taxable Units/Acres</u> | <u>Fiscal Year 2018-19 Assigned Annual Special Tax per Unit/Acre<sup>(1)</sup></u> | <u>Actual Special Tax Levy Fiscal Year 2018-19 Per Unit/Acre</u> | <u>Fiscal Year 2018-19 Levy Total<sup>(2)</sup></u> | <u>Fiscal Year 2018-19 Percentage of Levy Total</u> |
|---|--------------------------------|------------------|--------------------------------------|--|--|---|---|
| 1 | 2,500 sq. ft. or less          | DU               | 16                                   | \$2,262.28   | \$2,262.28   | \$36,196.48   | 64.83%  |
| 2 | 2,501 to 2,700 sq. ft.         | DU               | 5                                    | 2,373.77   | 2,373.76   | 11,868.80   | 21.26   |
| 3 | 2,701 to 2,900 sq. ft.         | DU               | 0                                    | 2,480.93   | 2,480.93   | 0.00  | 0.00  |
| 4 | 2,901 sq. ft or Greater        | DU               | 3                                    | 2,588.10   | 2,588.10   | 7,764.30  | 13.91   |
| 5 | Non-Residential                | Acre             | 0                                    | 16,756.05  | 16,756.05  | 0.00  | 0.00  |
|   | Undeveloped                    | Acre             | <u>22.5040</u>                       | <u>16,756.05</u>   | <u>0.00</u>  | <u>0.00</u>   | <u>0.00</u>   |
|   |                                |                  | <b>24/22.5040</b>                    |  |  | <b>\$55,829.58</b>                                  | <b>100.00%</b>                                      |

<sup>(1)</sup> Assigned Special Tax escalates by 2% annually.

<sup>(2)</sup> The Fiscal Year 2018-19 Levy Total may not equal number of units times the Special Tax Rate shown due to rounding.

Source: Special District Financing & Administration LLC.

**TABLE 1B  
COMMUNITY FACILITIES DISTRICT NO. 2015-2 OF  
THE MORENO VALLEY UNIFIED SCHOOL DISTRICT  
PROJECTED ASSIGNED SPECIAL TAX RATES  
FISCAL YEAR 2019-20**

|   | <u>Land Use Classification</u> | <u>Unit Type</u> | <u>Number of Taxable Units/Acres<sup>(1)</sup></u> | <u>Fiscal Year 2019-20 Assigned Annual Special Tax per Unit/Acre<sup>(2)</sup></u> | <u>Actual Special Tax Levy Fiscal Year 2018-19 Per Unit/Acre</u> | <u>Fiscal Year 2018-19 Levy Total<sup>(3)</sup></u> | <u>Fiscal Year 2018-19 Percentage of Levy Total</u> |
|---|--------------------------------|------------------|--|--|--|---|---|
| 1 | 2,500 sq. ft. or less          | DU               | 78   | \$2,307.53   | \$2,307.52   | \$179,986.56  | 67.77%  |
| 2 | 2,501 to 2,700 sq. ft.         | DU               | 19   | 2,421.25   | 2,421.24   | 46,003.56   | 17.32   |
| 3 | 2,701 to 2,900 sq. ft.         | DU               | 0  | 2,530.55   | 2,530.54   | 0.00  | 0.00  |
| 4 | 2,901 sq. ft or Greater        | DU               | 15   | 2,639.86   | 2,639.86   | 39,597.90   | 14.91   |
| 5 | Non-Residential                | Acre             | 0  | 17,091.17  | 17,091.17  | 0.00  | 0.00  |
|   | Undeveloped                    | Acre             | <u>8.8540</u>                                      | <u>17,091.17</u>   | <u>0.00</u>  | <u>0.00</u>   | <u>0.00</u>   |
|   |                                |                  | <b>112/8.8540</b>                                  |  |  | <b>\$265,588.02</b>                                 | <b>100.00%</b>                                      |

<sup>(1)</sup> As of February 1, 2019, fifty five (55) lots of the total 159 lots within the District had not yet had a building permit issued. Of these lots, eight (8) are projected by the Developer to have a permit prior to May 1, 2019, which would cause them to be classified as Developed Property according to the Rate and Method, and as such are shown in the projected Fiscal Year 2019-20 Special Tax levy. The remaining forty-seven (47) lots are projected by the Developer to receive a permit prior to May 1, 2020, and accordingly no Fiscal Year 2019-20 Special Tax Revenue is projected above.

<sup>(2)</sup> Assigned Special Tax escalates by 2% annually.

<sup>(3)</sup> The Fiscal Year 2018-19 Levy Total may not equal number of units times the Special Tax Rate shown due to rounding.

Source: Special District Financing & Administration LLC.

Prepayment of Special Taxes in Full. The Maximum Special Tax obligation may only be prepaid and permanently satisfied by an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, and Public Property and/or Property Owner Association Property that is not Exempt Property pursuant to the Rate and Method. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described in the Rate and Method; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation must provide an official of the School District with written notice of intent to prepay, and within five (5) days of receipt of such notice, the official of the School District will notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the District in calculating the proper amount of a prepayment. Within 15 days of receipt of such non-refundable deposit, the official of the School District will notify such owner of the prepayment amount of such Assessor's Parcel.

As of the proposed date of prepayment, the prepayment amount shall be calculated as set out in the Rate and Method. See Section J of the Rate and Method included as Appendix A – "RATE AND METHOD OF APPORTIONMENT." Proceeds of Special Tax prepayments will be applied to the redemption of Bonds as provided in the Fiscal Agent Agreement. See "THE BONDS – Redemption – Special Mandatory Redemption from Prepaid Special Taxes."

Partial Prepayment of Special Taxes. The Maximum Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid, provided that an Assessor's Parcel of Developed Property may only be partially prepaid prior to or concurrent with the close of escrow of a sale to the initial homebuyer. The amount of the prepayment shall be calculated as provided in the Rate and Method. See Section J(2) of the Rate and Method included as Appendix A – "RATE AND METHOD OF APPORTIONMENT." Proceeds of Special Tax prepayments will be applied to the redemption of Bonds as provided in the Fiscal Agent Agreement. See "THE BONDS – Redemption – Special Mandatory Redemption from Prepaid Special Taxes."

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

UNDER NO CIRCUMSTANCES MAY THE SPECIAL TAX ON ANY ASSESSOR'S PARCEL EXCEED THE MAXIMUM RATES AS SET FORTH IN APPENDIX A HERETO. See Appendix A – "RATE AND METHOD OF APPORTIONMENT."

In connection with the issuance of the Bonds, Special District Financing & Administration LLC, the District's Special Tax Consultant, will certify that the Maximum Special Tax that may be levied on assessor's parcels within the District pursuant to the Rate and Method will be at least equal to estimated Administrative Expenses plus 110% of maximum annual debt service on the Bonds. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies, if any.

***Collection of Special Taxes.*** The Special Taxes are levied by the District and collected by the Treasurer-Tax Collector of the County 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, may collect the 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.

The District will make certain covenants in the Fiscal Agent Agreement for the purpose of ensuring that the current Rate and Method is not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District will covenant that no modification of the maximum authorized Special Taxes will be approved by the District which would prohibit the District from levying Special Taxes on Developed Property within the District in any Fiscal Year at such a rate as could generate Special Taxes in each Fiscal Year at least equal to 110% of the Annual Debt Service, plus estimated annual Administrative Expenses. Second, the District has further covenanted that, in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the State Constitution, which purports to reduce or otherwise alter the maximum authorized Special Taxes, the District will, to the extent of available District funds therefore, commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding sentence. See "SPECIAL RISK FACTORS – Proposition 218."

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the School District or the landowners in the District. See "SPECIAL RISK FACTORS – 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 financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

**No Teeter Plan.** Although the Riverside County Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") which allows each entity levying secured property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected, as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, the District is not included in the County Teeter Plan. Consequently, the District may not draw on the County Tax Loss Reserve Fund in the event of delinquencies in Special Tax payments.

### **Proceeds of Foreclosure Sales**

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

Under the Fiscal Agent Agreement, in order to determine if there are delinquencies with respect to the payment of the Special Taxes, no later than March 1 and August 1 in every year (each, a "reconciliation date") commencing August 1, 2019, the District shall reconcile or cause to be reconciled the amount of Special Taxes levied to the amount of Special Taxes theretofore reported by the County as paid and received. No later than 45 days after a reconciliation date, commencing with the first reconciliation date of August 1, 2019, the District shall send or cause to be sent a notice of delinquency to all property owners reported to be delinquent in the payment of the Special Taxes as of the reconciliation date.

The fees and expenses of the Independent Financial Consultant retained by the District to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received, as well as the costs and expenses of the District (including a charge for District staff time) in conducting its duties under the Fiscal Agent Agreement, will be an Administrative Expense under the Fiscal Agent Agreement.

Pursuant to the Fiscal Agent Agreement, on or about March 1 and August 1 of each Fiscal Year, the District will compare the amount of Special Taxes theretofore levied in the District to the amount of Special Taxes theretofore received by the District, and:

***Individual Delinquencies.*** If the District determines that any single parcel within the District is delinquent in the payment of five (5) or more installments of the Special Taxes, then the District will send, or cause to be sent, a notice of delinquency (and a demand for immediate payment thereof) to the property owner within forty-five (45) days of such determination, and (if the delinquency remains uncured) the District will take action to authorize the commencement of foreclosure proceedings within ninety (90) days of the August 1 determination, to the extent permissible under applicable law, and shall thereafter diligently prosecute such proceedings in superior court to the extent permitted under applicable law.

***Aggregate Delinquencies.*** If the District determines that the total amount of delinquent Special Taxes for the prior Fiscal Year for the District (including the total of delinquencies described in the preceding paragraph) exceeds five percent (5%) of the total Special Taxes due and payable for the prior Fiscal Year, the District will notify, or cause to be notified, all property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within forty-five (45) days of such determination, and (to the extent such delinquencies remain uncured) the District will take action to authorize the commencement of foreclosure proceedings within ninety (90) days of the August 1 determination against each parcel of land within the District with a Special Tax delinquency to the extent permissible under applicable law. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

**Limiting Provision.** Notwithstanding the foregoing, the District will not be required to order, or take action upon, the commencement of foreclosure proceedings described in the preceding two paragraphs, if (i) such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement and (ii) no draw has been made on the Reserve Fund, which has not been restored or repaid, such that the Reserve Fund shall be funded to at least the Reserve Requirement.

**Additional Limitations.** Notwithstanding any of the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel in relation to the cost of appropriate foreclosure proceedings may be such that the costs do not warrant the foreclosure proceedings costs. In such cases, foreclosure proceedings may be delayed by the District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost.

The District has reserved the right to elect to accept payment from a property owner of at least the enrolled amount of the Special Taxes for one or more parcels but less than the full amount of the penalties, interest, costs and attorneys’ fees related to the Special Tax delinquency for such parcel or parcels. Under the Fiscal Agent Agreement, the Bondowners are deemed to have consented to the foregoing reserved right of the District, notwithstanding any provision of the Act or other law of the State, or any other term or covenant set forth in the Fiscal Agent Agreement to the contrary. The Bondowners, by their acceptance of the Bonds, consent to such payment for such lesser amounts.

Further, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary, in connection with any judicial foreclosure proceeding related to delinquent Special Taxes:

(i) Under the Fiscal Agent Agreement, the District is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act, or such lesser amount as determined under clause (ii) below or otherwise under Section 53356.6 of the Act.

(ii) 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 Act, if it determines that such sale is in the best interests of the Bondowners. The Bondowners, by their acceptance of the Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the District and the School District, and their respective

officers and agents, from any liability in connection therewith. If such sale for lesser amounts would result in less than full payment of principal of and interest on the Bonds, the District will use its best efforts to seek approval of the Bondowners.

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a property owner's failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Bonds under this Fiscal Agent Agreement.

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the 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 School District and the District. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure." 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 "SPECIAL RISK FACTORS – Insufficiency of Special Taxes." Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the School District 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. The 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.

### **Special Tax Fund**

Pursuant to the Fiscal Agent Agreement, the Special Taxes and other amounts constituting Gross Taxes collected by the District at any time (exclusive of Prepaid Special Taxes received, which shall be deposited into the Prepayment Account of the Special Tax Fund) shall be transferred no later than 10 days after receipt thereof to the Fiscal Agent and shall be held in trust in the Special Tax Fund (exclusive of the Administrative Expense Requirement) for the benefit of the Bondowners and shall, exclusive of Prepaid Special Taxes held in the Prepayment Account, be transferred or applied to the funds and accounts set forth below, in the priority set forth below and at the times and in the amounts and in accordance with the Fiscal Agent Agreement:

- (a) To the Administrative Expense Fund, an amount equal to the Administrative Expense Requirement of \$31,500 per Fiscal Year.
- (b) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.
- (c) To the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Bonds during the current Bond Year (as such term is defined in the Fiscal Agent Agreement).
- (d) To the Sinking Fund Redemption Account of the Redemption Fund, an amount up to the amount needed to make the Mandatory Sinking Payments due on the Bonds during the current Bond Year.
- (e) To the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement.

(f) To the extent that Administrative Expenses are not fully satisfied as a result of the deposit described in (a) above, to the Administrative Expense Fund in the amount(s) required to bring the balance therein to the amount identified by the District to the Fiscal Agent to meet such additional Administrative Expenses (over and above the Administrative Expense Requirement) in the coming Fiscal Year, or Administrative Expenses from a prior Fiscal Year which remain unpaid.

(g) To the Redemption Fund, the amount, if any, that the District directs the Fiscal Agent to deposit pursuant to the Fiscal Agent Agreement.

(h) Any remaining Special Taxes and other amounts constituting Net Taxes shall remain in the Special Tax Fund subject to the provisions of (i), below.

(i) Any remaining Special Taxes and other amounts constituting Net Taxes, if any, shall remain in the Special Tax Fund until the end of the Bond Year. At the end of the Bond Year any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Bonds (including payment of Mandatory Sinking Fund Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (e), above, or to pay current or pending Administrative Expenses as provided for in (a) and (f), above, shall, without further action by any party, be transferred by the Fiscal Agent on September 2 of each such year into the Residual Fund, which funds shall thereafter be used in accordance with the Fiscal Agent Agreement and shall be free and clear of any lien thereon. The Fiscal Agent shall promptly confirm the amount of such transfer(s) in to Residual Fund in writing to the District. **Moneys deposited into, or held within, the Residual Fund are not pledged to the payment of principal, interest or premiums on the Bonds.** Any funds which are required to cure any such delinquency shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

At the date of the redemption, defeasance or maturity of the last Bond and after all principal and interest then due on any Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, moneys in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose under the District proceedings.

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

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

## **Bond Fund**

Two Business Days prior to each Interest Payment Date, commencing with the September 1, 2019, Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund, or the Reserve Fund in the event that sufficient moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to one half of the principal maturing on the next September 1 and all of the interest due and payable on the Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund available to pay principal and/or interest on such Bonds. The Fiscal Agent shall apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Bonds on each Interest Payment Date.

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

***Capitalized Interest Subaccount of the Bond Fund.*** On September 1, 2019 and March 1, 2020, the Fiscal Agent shall withdraw moneys from the Capitalized Interest Subaccount of the Interest Account of the Bond Fund in an amount equal to the corresponding interest payment due on the Bonds (or the amount then held in the Capitalized Interest Subaccount if less than the interest payment due) and shall cause such amount to be deposited in the Interest Account of the Bond Fund for application on such Interest Payment Date. On March 2, 2020, the Fiscal Agent shall transfer any amounts then remaining in the Capitalized Interest Subaccount into the Interest Account of the Bond Fund and shall thereupon close the Capitalized Interest Subaccount.

## **Reserve Fund**

In order to further secure the payment of principal of and interest on the Bonds, certain proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the Reserve Requirement (see “ESTIMATED SOURCES AND USES OF FUNDS”). The term “Reserve Requirement” is defined in the Fiscal Agent Agreement to mean with respect to the Bonds, an amount, as of any date of calculation, equal to the least of (i) 10% of the original principal amount of the Bonds, less original issue discount, if any, plus original issue premium, if any, (ii) Maximum Annual Debt Service on the Bonds, or (iii) 125% of average Annual Debt Service on the Bonds. In the event of a redemption or partial defeasance of Bonds, the Reserve Requirement will thereafter be determined by the District and communicated to the Fiscal Agent in writing and any funds in excess of such re-determined Reserve Requirement will be utilized as set forth in the Fiscal Agent Agreement. If Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original principal of the Bonds, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement) will be applied to the redemption of the Bonds as provided in the Fiscal Agent Agreement.

Except as provided in the following paragraph with respect to certain investment earnings, moneys in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Mandatory Sinking Payments, interest and premium on Bonds when due to the extent that moneys in the Interest Account and the Principal Account of the Bond Fund or moneys in the Sinking Fund Redemption Account, as applicable, are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the District, (iii) making any transfers to the Bond Fund or Redemption Fund in connection with prepayments of the Special Taxes; (iv) paying the principal and interest due on Bonds in the final Bond Year, and (v) application to the defeasance of Bonds in accordance with the Fiscal Agent Agreement. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Fund Redemption Account of the Redemption Fund are insufficient to pay the principal of, including Mandatory Sinking Payments, or interest

on the Bonds when due, the Fiscal Agent shall, one Business Day prior to an Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, moneys necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, the Fiscal Agent shall notify the District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

Moneys in the Reserve Fund will be invested and deposited as described in “Investment of Moneys in Funds” below. Any moneys in the Reserve Fund in excess of the Reserve Requirement shall be withdrawn by the Fiscal Agent two Business Days prior to each Interest Payment Date and deposited into the Interest Account of the Bond Fund and thereafter applied for the purposes specified for such account.

The Fiscal Agent shall transfer to the Rebate Fund Excess Investment Earnings from Reserve Fund earnings upon written direction of the District pursuant to the provisions of the Fiscal Agent Agreement.

See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

#### **Letter of Credit Fund**

Prior to the issuance of the Bonds, the Developer will provide to the Fiscal Agent, as beneficiary, one or more irrevocable standby letters of credit (collectively, the “Letter of Credit”) to secure payment of Special Taxes levied on the taxable parcels in the District owned by the Developer.

***Stated Amount and Initial Term; Letter of Credit Fund.*** Until released, the “Stated Amount” of the Letter of Credit is required to equal the estimated Special Taxes to be levied in the current Fiscal Year on the parcels in the District owned by the Developer, assuming, for purposes of the calculation of the Stated Amount and the determination of the estimated annual Special Taxes, that such land, if classified as Undeveloped Property, is classified as Developed Property under the Rate and Method and assigned to the Land Use Class such property is projected to be assigned to at the time of issuance of the Bonds, owned by the Developer.

The initial Stated Amount of the Letter of Credit is required to be at least \$262,730.38. Bank of the West will provide the initial Letter of Credit.

The Fiscal Agent will establish and maintain the Letter of Credit Fund for the deposit of proceeds of any draws upon the Letter of Credit, as provided in the Fiscal Agent Agreement. The Fiscal Agent shall establish a separate account within the Letter of Credit Fund for each Letter of Credit provided to the Fiscal Agent.

***Duration and Conditions of Release of the Letter of Credit.*** The initial terms of the Letter of Credit shall expire one year after the closing date. The Developer will cause Bank of the West, or another letter of credit bank (each, a “Letter of Credit Bank”), to annually renew the Letter of Credit or provide a substitute Letter of Credit on August 1 of each year (or a date 15 days prior to the expiration date of any existing Letter of Credit) in the then Stated Amount until 88 of the lots within the District are owned by individual homeowners.

If the District determines at any time that 88 or more of the lots within the District are owned by individual homeowners, the District will so certify in writing to the Fiscal Agent and direct the Fiscal Agent to release the Letter of Credit to the Letter of Credit Bank.



Upon the release of a Letter of Credit pursuant to the terms thereof and of the Fiscal Agent Agreement, and upon the expenditure, pursuant to the terms of the Fiscal Agent Agreement, of all funds from the corresponding account in the Letter of Credit Fund, the Fiscal Agent will notify the District of such condition, and the Fiscal Agent will close the respective account, and, as applicable, the Letter of Credit Fund.

Pursuant to the Fiscal Agent Agreement, the Developer may deposit with the Fiscal Agent an amount of cash with the Fiscal Agent in lieu of all or a portion of the Stated Amount of any Letter of Credit. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT – Letter of Credit Fund.”

**Annual Renewal.** On or before each July 1, commencing July 1, 2019 (or, on a date at least 30 but not more than 45 days prior to the expiration of any existing Letter of Credit), the District will determine the number of lots owned by individual homeowners in the District. If fewer than 88 of the lots within the District are owned by individual homeowners, the District will certify to the Fiscal Agent: (i) the number of such lots owned by individual homeowners within the District and the number of such lots owned by the Developer (or any successor merchant builder thereto), and (ii) the Stated Amount of the corresponding Letter of Credit required to be in effect for such Developer (or successor merchant builder thereto).

In the event fewer than 88 of the lots within the District are owned by individual homeowners with record title as of such July 1 (or as of a date at least 30 but not more than 45 days prior to the expiration of any existing Letter of Credit), then the Developer (or successor merchant builder thereto) will provide to the Fiscal Agent, no later than the following August 1 (or a date 15 days prior to the expiration date of any existing Letter of Credit), (i) an irrevocable Letter or Letters of Credit in the revised Stated Amount, or (ii) an extension of any existing Letter of Credit in an amount equal to the revised Stated Amount.

If the Fiscal Agent does not receive an irrevocable written commitment from the Letter of Credit Bank, or a renewal of the applicable Letter of Credit or a substitute letter of credit, by August 1 (or a date 15 days prior to the applicable expiration date of any existing Letter of Credit), the Fiscal Agent will notify the District thereof, and upon the written direction of an Authorized Representative of the District, immediately, with no further authorization or instruction, draw upon such existing Letter of Credit in the full Stated Amount. The Fiscal Agent will deposit the proceeds of such draw into a corresponding account of the Letter of Credit Fund, for use as described in the Fiscal Agent Agreement.

Failure by the Developer, or any successor thereto, to maintain and renew or provide a substitute Letter of Credit is not an event of default under the Bond Indenture.

**Draws on Letter of Credit.** Five Business Days prior to each Interest Payment Date, the Fiscal Agent will determine whether amounts on deposit in the Special Tax Fund, after deducting Administrative Expenses authorized to be transferred under the Fiscal Agent Agreement, and the Bond Fund on that Interest Payment Date, will be sufficient to pay principal of and interest on the Bonds that will be due and payable on such Interest Payment Date and shall notify the District of any deficiency. If amounts in the Special Tax Fund and the Bond Fund will be insufficient to pay principal of and interest on the Bonds, the Fiscal Agent shall immediately notify the District, in writing, of such deficiency, and if such insufficiency is attributable to a delinquency in the payment of Special Taxes secured by the Developer’s Letter of Credit, upon the written direction of a Authorized Representative (and prior to any withdrawals from the Reserve Fund permitted by the Fiscal Agent Agreement), the Fiscal Agent shall draw upon the Letter of Credit. The Letter of Credit may not be drawn upon for the delinquency in the payment of Special Taxes owed by individual homeowners

The Fiscal Agent will deposit the proceeds of any such draw upon the Letter of Credit into the corresponding account of Letter of Credit Fund one Business Day prior to each Interest Payment Date, and prior to any transfers from the Reserve Fund, transfer such amounts from the Letter of Credit Account to the corresponding accounts of the Bond Fund to the extent necessary to pay the principal of and interest on the Bonds due to the Developer’s delinquency in the payment of Special Taxes.

**Reimbursement of Letter of Credit Bank.** The District shall have no obligation to reimburse any Letter of Credit Bank for draws on a Letter of Credit, except from (i) any proceeds of a draw on such Letter of Credit and any interest earnings thereon not required to pay debt service on the Bonds on the Interest Payment Date for which the draw was made, and (ii) delinquent Special Taxes subsequently received by the District (whether by payment or foreclosure) with respect to the lots corresponding to the delinquent Special Taxes. Draws upon any Letter of Credit will not bar or otherwise preclude the District from taking any actions or enforcing any remedies, including but not limited to foreclosure actions, against the corresponding property within the District for satisfaction of unpaid Special Taxes.

The obligation of the Letter of Credit Bank under the Letter of Credit is not contingent upon reimbursement for any draws thereon from any source.

**Final Release of Funds in Letter of Credit Account.** In addition to the provisions described under the heading “—Reimbursement of Letter of Credit Bank” above, the Fiscal Agent will immediately return to the Developer amounts that remain on deposit in the Letter of Credit Fund if at any time it receives a written certification of the District that:

- (i) 88 or more of the lots in the development are owned by individual homeowners with record title,
- (ii) such moneys are not required to pay principal of and interest on the Bonds on the following Interest Payment Date as a result of delinquencies in the payment of Special Taxes by the Developer, and
- (iii) The Developer is not delinquent in the payment of its Special Taxes.

**Enforcement.** If the Letter of Credit Bank or any other Letter of Credit provider wrongfully refuses to honor any drawing made on its respective Letter of Credit, the District, on behalf of the owners of the Bonds, is required to immediately bring an action and pursue any remedy available at law or in equity for the purpose of compelling the Letter of Credit Bank to honor such drawing and to enforce the provisions of the Letter of Credit.

### **Administrative Expense Fund**

The Fiscal Agent will receive the transfer of Special Taxes from the District from the Special Tax Fund and will transfer to the Administrative Expense Fund amounts to pay Administrative Expenses as described above in “– Special Tax Fund.”

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

### **Construction Fund**

From the amount deposited into the Construction Fund, (i) \$2,761,609.14 will be deposited into the School Facilities Account of the Construction Fund, to be available to the School District for financing School Facilities described above, (ii) \$2,761,599.13 will be deposited into the EMWD Facilities Account of the Construction Fund, to be available for financing EMWD Facilities, and (iii) \$210,000.00 will be deposited into the Costs of Issuance Account of the Construction Fund, to be available to pay costs associated with the issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICT – Formation and Authorization.”

Such moneys deposited into the accounts of the Construction Fund will be used exclusively to pay the Project Costs (as defined in the Fiscal Agent Agreement) and costs of issuance, and are subject to the

limitations as to investment and other terms set forth in the Fiscal Agent Agreement and in the Tax Certificate. See “THE COMMUNITY FACILITIES DISTRICT – Description of Authorized Facilities.”

### **Residual Fund**

The Fiscal Agent will transfer Special Taxes from the Special Tax Fund and deposit funds in the Residual Fund at the times and in the amounts as described above in “ – Special Tax Fund.” Moneys in the Residual Fund may be used at the option of the District for acquisition and/or construction of the School Facilities or for other legal purposes consistent with the District proceedings, to make deposits to the Rebate Fund under the Fiscal Agent Agreement for the purposes of paying rebatable arbitrage as and when such is due in accordance with the Tax Certificate and the Regulations, to pay Administrative Expenses, for the optional redemption of any of the Bonds under the Fiscal Agent Agreement, or any other lawful purposes as set out in the Act.

Pursuant to the Fiscal Agent Agreement, moneys on deposit in the Residual Fund are not pledged for payment of the principal of, or interest or premium on, the Bonds and are not subject to any Bondowner’s lien, and the Residual Fund is not a trust fund for the benefit of the Owners of the Bonds.

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

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Authorized Investments (as defined in the Fiscal Agent Agreement), as directed by an Authorized Representative, that mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Moneys in the Reserve Fund shall be invested in Authorized Investments which provide liquidity needed to satisfy any calls on funds in the Reserve Fund. Such liquidity shall provide that at least one half of the moneys in the Reserve Fund shall be available for draw in advance of any Interest Payment Date, except in the case of guaranteed investment contracts which may have a longer term. Such Authorized Investments shall not have a final maturity of greater than three years (except for guaranteed investments contracts through which moneys in the Reserve Fund may be invested for a longer period). In the absence of any direction from an Authorized Representative, subject to other limitations set forth in the Fiscal Agent Agreement, the Fiscal Agent will invest, to the extent reasonably practicable, any such moneys in a taxable or tax-exempt government money market portfolio mutual fund as described in clause (j) of the definition of Authorized Investments (including funds for which the Fiscal Agent or its affiliates or subsidiaries provide investment advisory or other management services). See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a definition of “Authorized Investments.”

### **Payment of Rebate Obligation**

The District is required to calculate excess investment earnings in accordance with the requirements set forth in the Fiscal Agent Agreement. If necessary, the District may use amounts in the Reserve Fund in excess of the Reserve Requirement that constitute Excess Investment Earnings, amounts on deposit in the Administrative Expense Fund and other funds available to the District to satisfy rebate obligations. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

## Estimated Debt Service Coverage

The projected net Assigned Special Taxes on Developed Property within the boundaries of the District, the debt service on the Bonds, and the resulting estimated debt service coverage ratio are as shown in the following table. The net Assigned Special Taxes and coverage ratio shown do not reflect the planned addition of three floor plans as discussed in “INTRODUCTION – The District” and “OWNERSHIP AND DEVELOPMENT OF THE DISTRICT.” According to the Developer, these additional floor plans would result in an aggregate increase in net Assigned Special Taxes of \$1,381.10. Actual Special Tax levies will be based on the sizes of homes actually constructed.

| <u>Year Ending<br/>(September 1)</u> | <u>Net Assigned<br/>Special Taxes<sup>(1)</sup></u> | <u>Debt Service<br/>on the Bonds</u> | <u>Estimated Debt<br/>Service Coverage<sup>(2)</sup></u> |
|--------------------------------------|---|--------------------------------------|--|
| 2019                                 | \$24,329.58   | \$143,058.75 <sup>(3)</sup>          | 17.01%   |
| 2020                                 | 234,088.99  | 353,950.00 <sup>(3)</sup>            | 66.14  |
| 2021                                 | 352,878.72  | 317,000.00                           | 111.32   |
| 2022                                 | 360,566.29  | 326,100.00                           | 110.57   |
| 2023                                 | 368,407.62  | 329,900.00                           | 111.67   |
| 2024                                 | 376,405.77  | 338,100.00                           | 111.33   |
| 2025                                 | 384,563.89  | 345,900.00                           | 111.18   |
| 2026                                 | 392,885.17  | 352,650.00                           | 111.41   |
| 2027                                 | 401,372.87  | 363,900.00                           | 110.30   |
| 2028                                 | 410,030.33  | 369,400.00                           | 111.00   |
| 2029                                 | 418,860.93  | 379,400.00                           | 110.40   |
| 2030                                 | 427,868.15  | 388,650.00                           | 110.09   |
| 2031                                 | 437,055.51  | 397,150.00                           | 110.05   |
| 2032                                 | 446,426.63  | 402,437.50                           | 110.93   |
| 2033                                 | 455,985.16  | 412,206.26                           | 110.62   |
| 2034                                 | 465,734.86  | 421,256.26                           | 110.56   |
| 2035                                 | 475,679.56  | 429,550.00                           | 110.74   |
| 2036                                 | 485,823.15  | 437,050.00                           | 111.16   |
| 2037                                 | 496,169.61  | 448,987.50                           | 110.51   |
| 2038                                 | 506,723.00  | 459,881.26                           | 110.19   |
| 2039                                 | 517,487.46  | 470,000.00                           | 110.10   |
| 2040                                 | 528,467.21  | 479,000.00                           | 110.33   |
| 2041                                 | 539,666.56  | 489,250.00                           | 110.30   |
| 2042                                 | 551,089.89  | 498,250.00                           | 110.61   |
| 2043                                 | 562,741.69  | 511,000.00                           | 110.13   |
| 2044                                 | 574,626.52  | 522,250.00                           | 110.03   |
| 2045                                 | 586,749.05  | 532,000.00                           | 110.29   |
| 2046                                 | 599,114.03  | 540,250.00                           | 110.90   |
| 2047                                 | 611,726.31  | 552,000.00                           | 110.82   |
| 2048                                 | 624,590.84  | 567,000.00                           | 110.16   |

(1) Based on projected aggregate Assigned Special Tax proceeds, less Administrative Expense Requirement.

(2) Calculated by dividing the net Assigned Special Tax on currently Developed Property and the lots projected to receive building permits and levied as Developed Property beginning in Fiscal Year 2019-20, by the debt service on the Bonds.

(3) Interest on the Bonds will be capitalized through March 1, 2020.

Sources: *Special District Financing & Administration LLC; debt service on the Bonds provided by the Underwriter.*

The District may levy up to the Maximum Special Tax rates on Taxable Property within the District; provided that, if Special Taxes of the District are levied against any parcel used for private residential purposes, in accordance with Section 53321 of the Act as in effect at the time of formation of the District, under no circumstances will such Special Tax be increased as a consequence of delinquency or default by the owner 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. See “– Special Taxes

– *Rate and Method of Apportionment of Special Tax.*” Consequently, if the District elects in the future to levy Special Taxes at less than the Assigned Special Tax rate, it may not be possible to increase the levy in subsequent years to the Assigned Special Tax rate.

### **Issuance of Parity Bonds**

The District may not issue additional obligations entitled to a lien on the Special Taxes under the Fiscal Agent Agreement which are secured on a parity with the Bonds, except (i) bonds issued to fully or partially refund Outstanding Bonds, or (ii) subordinate bonds, notes, or other similar evidences of indebtedness. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

## **THE COMMUNITY FACILITIES DISTRICT**

### **General Description of the District**

The District is located in the City. Incorporated in 1984, the City is located in the northwest portion of the County. The District is located north of Cactus Avenue, south of Brodiaea Avenue and west of Wilmot Street. The District comprises a residential community known as Bella Cortina, and includes 159 lots that are being developed into single family detached homes. As of November 1, 2018, the value date of the Appraisal Report, the District contained 34 completed homes occupied by individual homeowners, 26 completed homes owned by the Developer, as well as 44 houses under construction and 55 physically finished lots. The five floor plans currently available in the District range in size from 1,772 square feet to 3,061 square feet. The Developer is planning to include three additional floor plans within the District, which are expected to comprise 33 of the 55 finished lots. These three additional floor plans are expected to range in size from 1,474 square feet to 2,239 square feet. Architectural plans for these three additional floor plans are undergoing final review and approval by the City.

For additional information regarding the Developer, as well as the current development status of property within the District, see “OWNERSHIP AND DEVELOPMENT OF THE DISTRICT.”

### **Formation and Authorization**

Pursuant to the Act, on March 10, 2015, the School Board adopted Resolution No. 2014-15-57 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the boundaries of the District. On March 10, 2015, the School Board also adopted Resolution No. 2014-15-58, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$11,000,000 for the purpose of financing the School Facilities and the EMWD Facilities. See “THE COMMUNITY FACILITIES DISTRICT – Description of Authorized Facilities.”

Subsequent to a noticed public hearing, the School Board adopted Resolution No. 2014-15-66 on April 14, 2015 (the “Resolution of Formation”), which established the District, authorized the levy of a special tax within the District, determined the validity of certain prior proceedings, and called an election within the District on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit within the District. On April 14, 2015, the School Board, acting as the legislative body of the District, also adopted Resolution No. 2014-15-67, which determined the necessity to incur bonded indebtedness in an amount not to exceed \$11,000,000 within the District and calling an election within the District.

On April 14, 2015, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed \$11,000,000. A Notice of Special Tax Lien was recorded in the office of the County Recorder on April 28, 2015, as Document No. 2015-0171664. On May 26, 2015, the School Board, acting as the legislative body of the District, adopted

Ordinance No. 2014-15-71 (the “Ordinance”) which authorizes the levy of a special tax pursuant to the Rate and Method approved at the April 14, 2015 election.

The School District has also entered into an Amended and Restated Joint Community Facilities Agreement, dated as of January 22, 2019, by and among the School District, the Developer and EMWD, and a School Facilities Funding and Mitigation Agreement, by and among the School District, Community Facilities District No. 91-1 of the Moreno Valley Unified School District, and Cactus Avenue Inv, LLC, the Developer’s predecessor in interest. Collectively, these agreements established mitigation obligations with respect to property within the District, and provide for the financing of certain obligations of the Developer to pay development impact fees.

### **Description of Authorized Facilities**

The Facilities authorized to be constructed and acquired by the District with the proceeds of the Bonds include (i) school facilities with an estimated useful life of five years or longer, including sites and site improvements (including landscaping, access roadways, drainage, sidewalks and gutters, utility lines, playground areas and equipment), classrooms, recreational facilities, on-site office space at a school, central support and administrative facilities, interim housing and transportation facilities needed by the School District in order to serve the student population to be generated as a result of development of the property within the District and (ii) water and sewer facilities to be owned, operated or maintained by EMWD, and may include in each case the attributable costs of engineering, design, planning, materials testing, coordination, construction staking and construction, together with the expenses related to issuance and sale of any “debt,” as defined in Section 53317(d) of the Act, including underwriters’ discount, appraisals, market studies, reserve fund, capitalized interest, bond counsel, special tax consultant, bond and official statement printing, administrative expenses of the School District, the District and the fiscal agent related to the District and any such debt and all other incidental expenses.

### **The Appraisal Report and Bring Forward Letter**

In order to provide information with respect to the value of the property within the District, the School District engaged Integra Realty Resources, the Appraiser, to prepare the Appraisal Report and the Bring Forward Letter. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the School District and has no material relationships with the School District, the District, or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report and the Bring Forward Letter. The School District instructed the Appraiser to prepare its analysis and report in conformity with School District-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. Copies of the Appraisal Report and Bring Forward Letter included as Appendix H —“THE APPRAISAL REPORT AND BRING FORWARD LETTER” to this Official Statement.

The purpose of the Appraisal Report was to estimate the aggregate market value of the “as is” condition of the property within the District subject to the Special Taxes. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the development costs provided to the Appraiser by the Developer include all of the costs necessary to bring the subject properties to a finished lot condition.

The property appraised by the Appraiser included all 159 parcels within the District, which as of the value date included 55 are improved lots, 44 homes under construction and 60 completed single-family homes. To estimate the not-less-than market value of lots with completed homes, the Appraiser used a sales comparison approach, based on each floor plan within the subdivision. To estimate the market value of single-family residential lots, a sales comparison approach and extraction technique were utilized to estimate the market value of the single-family residential lots. In the sales comparison approach, adjustments were applied

to the prices of comparable bulk lot transactions, and a market value was concluded. Then, as a support of reasonableness, an extraction analysis was utilized, which was reconciled with the sales comparison approach conclusion.

The Appraiser was of the opinion that, as of November 1, 2018, the aggregate value of Taxable Property was \$38,672,000. In the Bring Forward Letter, the Appraiser concludes that the aggregate value of Taxable Property within the District, as of February 1, 2019, was not less than the value set forth in the Appraisal Report.

The following table shows a breakdown of the values of Taxable Property reported in the Appraisal Report.

**TABLE 2  
COMMUNITY FACILITIES DISTRICT NO. 2015-2  
OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT  
SUMMARY OF APPRAISED VALUES**

| <u>Component</u>   | <u>No. of<br/>Parcels</u> | <u>Market<br/>Value</u> | <u>Aggregate<br/>Value</u> |
|--|---------------------------|-------------------------|----------------------------|
| Completed Homes  |                           |                         |                            |
| Individual Homeowners  |                           |                         |                            |
| Residence One  | 6                         | \$370,000               | \$2,220,000                |
| Residence Two  | 7                         | 380,000                 | 2,660,000                  |
| Residence Three  | 11                        | 400,000                 | 4,400,000                  |
| Residence Four   | 7                         | 410,000                 | 2,870,000                  |
| Residence Five   | <u>3</u>                  | 440,000                 | <u>1,320,000</u>           |
| Subtotal Individual Homeowners                                 | 34                        |                         | 13,470,000                 |
| Developer  |                           |                         |                            |
| Residence One  | 4                         | 370,000                 | 1,480,000                  |
| Residence Two  | 6                         | 380,000                 | 2,280,000                  |
| Residence Three  | 6                         | 400,000                 | 2,400,000                  |
| Residence Four   | 4                         | 410,000                 | 1,640,000                  |
| Residence Five   | <u>6</u>                  | 440,000                 | <u>2,640,000</u>           |
| Subtotal Developer Completed Homes                             | 26                        |                         | 10,440,000                 |
| Total Homes  | 60                        |                         | 23,910,000                 |
| Homes Under Construction                                       | 44                        | Varies                  | 7,612,000                  |
| Improved Lots  | 55                        | 130,000                 | <u>7,150,000</u>           |
| <b>Cumulative, or Aggregate, Value of Appraised Properties</b> | <b>159</b>                |                         | <b>\$38,672,000</b>        |

*Source: The Appraisal Report.*

Reference is made to Appendix H for a complete list of the assumptions and limiting conditions set forth in the Appraisal Report and the Bring Forward Letter, as well as a full discussion of the appraisal methodology and the basis for the Appraiser's opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within the District may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within the District would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report merely indicates the Appraiser's opinion as to the market value of the property referred to therein as of the date and under the conditions specified therein. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the date of the Appraisal Report. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the District a certification to the effect that, among other things, the assumptions made in the Appraisal Report are reasonable and, to the best of the Appraiser's knowledge, and subject to certain assumptions and limiting conditions set forth therein, no events or occurrences have been ascertained by the Appraiser or have come to the Appraiser's attention that would substantially change the estimated values stated in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Report which could result in both positive and negative effects on market value within the District.

### **Direct and Overlapping Indebtedness**

The District is included within the boundaries of numerous overlapping local agencies providing governmental services. Some of these local agencies have outstanding bonds, and/or the authority to issue bonds, payable from taxes or assessments. The existing and authorized indebtedness payable from taxes and assessments that may be levied upon the property within the District is shown in the debt report included as Table 3 on the following page. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within the District without the approval of the District or the School District and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments. The ability of an owner of land within the District to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property.

The debt report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or other special taxes. See Table 4 for information regarding other entities levying taxes, assessments or other charges on property in the District. The debt report includes the principal amount of the Bonds, as if they were outstanding on the effective date of the table. The debt report does not reflect debt issued after the date the report was prepared, or authorized debt not issued as of the effective date of the report. Although the District has reviewed the debt report, it makes no representations as to its completeness or accuracy.

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**TABLE 3  
COMMUNITY FACILITIES DISTRICT NO. 2015-2  
OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT  
DIRECT AND OVERLAPPING DEBT**

**2018-19 Local Secured Assessed Valuation:** \$3,666,450 (Taxable Parcels)

| <b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>                         | <b><u>% Applicable</u></b> | <b><u>Debt 12/1/18</u></b> |
|---|----------------------------|----------------------------|
| Metropolitan Water District General Obligation Bonds                                  | 0.0001%                    | \$76                       |
| Riverside County Flood Control and Water Conservation Agency Zone No. 4               | 0.007                      | 1,045                      |
| Eastern Municipal Water District Improvement Area U-22 General Obligation Bonds       | 0.026                      | 598                        |
| Riverside City Community College District General Obligation Bonds                    | 0.003                      | 8,713                      |
| Moreno Valley Unified School District General Obligation Bonds                        | 0.025                      | 40,056                     |
| <b>Moreno Valley Unified School District Community Facilities District No. 2015-2</b> | <b>100.000</b>             | <b>-<sup>(1)</sup></b>     |
| <b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>                           |                            | <b>\$50,488</b>            |
| <br><b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>                                      |                            |                            |
| Riverside County General Fund Obligations   | 0.001%                     | \$ 10,178                  |
| Riverside County Pension Obligation Bonds   | 0.001                      | 3,484                      |
| Moreno Valley Unified School District Certificates of Participation                   | 0.025                      | 3,678                      |
| City of Moreno Valley General Fund Obligations  | 0.023                      | <u>15,192</u>              |
| <b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>                                      |                            | <b>\$32,532</b>            |
| Less: Riverside County supported obligations  |                            | <u>44</u>                  |
| <b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>  |                            | <b>\$32,488</b>            |
| <br>GROSS COMBINED TOTAL DEBT   |                            |                            |
|   |                            | \$83,020 <sup>(2)</sup>    |
| NET COMBINED TOTAL DEBT   |                            |                            |
|   |                            | \$82,976                   |

Ratios to 2018-19 Assessed Valuation:

|  |              |
|--|--------------|
| <b>Direct Debt.....</b>                                  | <b>- %</b>   |
| Total Direct and Overlapping Tax and Assessment Debt.... | 1.38%        |
| Gross Combined Total Debt.....                           | 2.26%        |
| <b>Net Combined Total Debt.....</b>                      | <b>2.26%</b> |

<sup>(1)</sup> Excludes the Bonds.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations

Source: California Municipal Statistics, Inc.

**Overlapping Direct Assessments**

Property within the District are also subject to the following direct assessments:

Both the County and the City levy National Pollutant Discharge Elimination System (“NPDES”) assessments, which are federally-mandated fees to collect funds to control water pollution by regulating point sources that discharge pollutants into waters of the United States. One such assessment is levied by the County and one is levied by the City. The first is shown under the title, “Riverside County Flood Control” in Table 4 below and is levied by the County to fund district and administrative costs. The City levies the second charge shown under the title, “Moreno Valley NPDES Maintenance Charge,” which funds the maintenance of storm drain facilities and services. Neither of these two assessments may be increased without voter approval.

Prior to the City incorporating, the County formed County Service Areas to provide parks and community services above the level that was generally provided by the County. At the time the City was incorporated, Moreno Valley County Service District - Zone A (“CS Zone A”) was formed to continue to provide the enhanced level of parks and community services. The assessment levied within the District for

CS – Zone A in Fiscal Year 2018-19 was \$87.50 per dwelling unit. No increase in the assessment has been approved for this Zone.

All taxable parcels within the City are levied a parcel tax to support the services of both arterial and intersection street lighting. The majority of the City is within Moreno Valley County Services District – Zone C (“CS – Zone C”). The assessment for these services is \$9.00 per parcel. No authorization to increase the assessment has been approved.

Property within the District is also within Moreno Valley Community Facilities District No. 2014-1 (“CFD 2014-1”), which levies an assessment to finance maintenance services related to parkway and median landscaping and street lighting. There are multiple tax rate areas (“TRA”) within CFD 2014-1. TRAs LM-01I and SL-01 apply to the parcels within the District. Each TRA has separate annual maximum special taxes for taxable property. For the Fiscal Year 2018-19, the maximum special tax for TRA LM-01I was \$715.92 and the maximum special tax for TRA SL-01 was \$239.91. For Fiscal Year 2018-19, TRA LM-01K and TRA SL-01 were not levied at the maximum. The combined levy for single-family residential dwelling units within the District for Fiscal Year 2018-19 was \$274.10. The annual maximum special taxes got CFD 2014-1 may be escalated by the greater of the increase in the annual percentage change in the Consumer Price Index for all Urban Consumers for the Los Angeles-Riverside-Orange County Region as published by the Department of Labor’s Bureau of Labor Statistics or five percent (5%).

The Metropolitan Water District levies an assessment shown under the title “MWD Standby East” on Table 4. This is a fixed assessment of \$6.94 annually unless the Metropolitan Water District Board of Directors proposes an increase, whereby a vote by the public to approve of the increase will be needed. This pay-as-you-go assessment is used for water reliability projects and service payments.

The City of Moreno Community Facilities District No. 1 (“CFD No. 1”) is authorized to levy a special tax on homes and other property within its boundaries to finance public services related to new parks. Services include maintenance and repair, improvements, and public safety. The levy for a single-family residential dwelling unit for Fiscal Year 2018-19 is \$141.74. The maximum special tax rate is annually increased by the percentage increase in the Los Angeles-Riverside-Orange County Regional Consumer Price Index for all Urban Consumers, as published by the Department of Labor’s Bureau of Labor Statistics or by 2%, whichever is greater.

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## Estimated and Projected Tax Rates

Table 4 below sets forth overall estimated and projected tax rates for Fiscal Year 2018-19, based on the average appraised value of dwelling units and the average home size. Table 4 sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt. Data in Table 4 is based on estimated tax charges for Fiscal Year 2018-19 and does not reflect subsequent additional charges or increases.

**TABLE 4  
COMMUNITY FACILITIES DISTRICT NO. 2015-2  
OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT  
ESTIMATED FISCAL YEAR 2018-19 TAX RATES**

### APPRAISED VALUATION AND PROPERTY TAXES

|   |              |
|---|--------------|
| Total Appraised Value of Developed Taxable Property <sup>(1)</sup>        | \$22,720,000 |
| Number of Developed Dwelling Units <sup>(2)</sup>                         | 57           |
| Average Appraised Value of Developed Taxable Dwelling Unit <sup>(2)</sup> | \$398,596    |
| Average Developed Home Size (Land Use Category 3) <sup>(2)</sup>          | 2,252        |

|   | <b>Percent of<br/>Total Assessed<br/>Valuation</b> | <b>Expected<br/>Amount to be<br/>Levied</b> |
|---|--|---|
| <b>AD VALOREM PROPERTY TAXES <sup>(3)</sup></b> | 1.11692%   |   |
| General Purpose                                 | 1.00000%   | \$3,985.96                                  |
| Moreno Valley Unified School                    | 0.09864%   | \$393.18                                    |
| Riverside City Community College                | 0.01478%   | \$58.91                                     |
| MWD Debt Service                                | 0.00350%   | \$13.95                                     |
| EMWD Improvement District No. U-22              | 0.01000%   | \$0.23                                      |

### ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES

|   |                   |
|---|-------------------|
| Riverside County Flood Control  | \$3.80            |
| Moreno Valley NPDES Maintenance Charge  | \$42.74           |
| Moreno Valley CS Zone A   | \$87.50           |
| Moreno Valley CS Zone C   | \$9.00            |
| Moreno Valley CFD No. 1 (Park Services)   | \$141.74          |
| Moreno Valley CFD No. 2014-01 (Landscape and Lighting)                          | \$274.10          |
| MWD Standby East  | \$6.94            |
| MVUSD CFD No. 2015-2  | <u>\$2,262.28</u> |
| <b>PROJECTED TOTAL PROPERTY TAXES</b>   | <b>\$7,280.32</b> |
| <b>Percent of Property Taxes to Average Developed Property Appraised Value:</b> | <b>1.82649%</b>   |

<sup>(1)</sup> The Total Appraised Value of Developed Taxable Property is sourced from the Appraisal Report.

<sup>(2)</sup> Developed dwelling units were determined per the Appraisal as those units with an inspection status of completed, completed (sold) or model.

<sup>(3)</sup> The District is located within two separate TRAs: TRA 021-410 and TRA 021-011. The latter was utilized above, as the total *ad valorem* property tax within such TRA is slightly higher.

Source: *Special District Financing & Administration LLC*.

## Estimated Value-To-Lien Ratios

Table 5 below incorporates the appraised values assigned to parcels, the projected Fiscal Year 2019-20 Special Tax levy, the estimated principal amount of the Bonds allocable to such parcels and the aggregate appraised value-to-lien ratios for such parcels. Table 5 calculates the appraised value-to-lien ratios based only upon the principal amount of the Bonds and does not include the overlapping general obligation debt described in Table 3 above.

**TABLE 5**  
**COMMUNITY FACILITIES DISTRICT NO. 2015-2 OF THE**  
**MORENO VALLEY UNIFIED SCHOOL DISTRICT**  
**APPRAISED VALUE-TO-LIEN RATIOS FOR TAXABLE PARCELS**  
**PROJECTED TO BE LEVIED IN THE DISTRICT DURING FISCAL YEAR 2019-20,**  
**AS OF NOVEMBER 1, 2018**

| <b>Land Use Classification</b> | <b>Projected Number of Taxable Units/Acres<sup>(1)</sup></b> | <b>Projected Fiscal Year 2019-20 Special Tax Levy</b> | <b>Percentage of the Projected Fiscal Year 2019-20 Special Tax Levy</b> | <b>Bonds Outstanding<sup>(2)</sup></b> | <b>Total Appraised Value<sup>(3)</sup></b> | <b>Appraised Value-to-Lien Ratio<sup>(4)</sup></b> |
|--------------------------------|--|---|---|--|--|--|
| 1 – 2,500 sq. ft. or less      | 78   | \$179,986.56  | 67.77%  | \$4,299,948                            | \$21,630,000                               | 5.03:1   |
| 2 – 2,501 to 2,700 sq. ft.     | 19   | 46,003.75   | 17.32   | 1,099,043                              | 5,748,000                                  | 5.23:1   |
| 3 – 2,701 to 2,900 sq. ft.     | 0  | 0.00  | 0.00  | 0                                      | 0  | N/A  |
| 4 – 2,901 sq. ft. or Greater   | 15   | 39,597.90   | 14.91   | 946,009                                | 5,184,000                                  | 5.48:1   |
| 5 – Non-Residential            | 0  | 0.00  | 0.00  | 0                                      | 0  | N/A  |
| Undeveloped                    | <u>8.854</u>   | <u>0.00<sup>(5)</sup></u>                             | <u>0.00</u>   | <u>0</u>                               | <u>6,110,000</u>                           | N/A  |
| <b>Total</b>                   | <b>112/8.854</b>   | <b>\$265,588.02</b>                                   | <b>100.00%</b>  | <b>\$6,345,000</b>                     | <b>\$38,672,000</b>                        | <b>6.09:1</b>                                      |

(1) As of February 1, 2019, fifty-five (55) lots of the total 159 lots within the District had not yet had a building permit issued. Of these lots, eight (8) are projected to have a permit prior to May 1, 2019, which would cause them to be classified as Developed Property and as such are shown in the projected Fiscal Year 2019-20 Special Tax levy. The remaining forty-seven (47) lots are projected to receive a permit prior to May 1, 2020, as such no Fiscal Year 2019-20 Special Tax Revenue is projected above.

(2) Reflects the Bonds issued, allocated based on the Fiscal Year 2019-20 special tax levy. For purposes of Table 5, the general obligation debt as shown in Table 3 issued by the Metropolitan Water District, Riverside County Flood Control and Water Conservation District Zone No. 4, Eastern Municipal Water District Improvement Area U-22, Riverside Community College District and the School District are not included.

(3) Source: the Appraisal Report.

(4) Estimated appraised value-to-lien ratio. Ratio calculated by dividing Total Appraised Value column by the allocated portion of the Bonds Outstanding column.

(5) Bond proceeds will fund capitalized interest on the Bonds through March 1, 2020, such that Special Taxes are not anticipated to be levied on Undeveloped Property in Fiscal Year 2019-20.

Source: *Special District Financing & Administration LLC*.

Additionally, Table 6 below sets forth the stratification of value-to-lien of the parcels within the District based on each parcel's respective share of the principal amount of the Bonds allocated according to each parcel's total projected Special Tax levy for Fiscal Year 2019-20 and based on each parcel's respective share of other direct and overlapping debt within the District allocated according to the November 1, 2018 appraised value of taxable parcels.

**TABLE 6  
COMMUNITY FACILITIES DISTRICT NO. 2015-2 OF THE  
MORENO VALLEY UNIFIED SCHOOL DISTRICT  
APPRAISED VALUE-TO-LIEN STRATIFICATION**

| <b>Value-to Lien Category</b>      | <b>Number of Parcels<sup>(1)</sup></b> | <b>November 1, 2018 Appraised Value<sup>(2)</sup></b> | <b>Combined Overlapping Liens<sup>(3)</sup></b> | <b>Combined Value-to-Lien Ratio</b> | <b>Fiscal Year 2019-20 Special Tax Levy<sup>(4)</sup></b> | <b>Percentage Share of Special Tax</b> |
|------------------------------------|--|---|---|-------------------------------------|---|--|
| Less than 3.00 to 1 <sup>(5)</sup> | 42                                     | \$5,460,000   | \$2,373,262                                     | 2.30:1                              | \$99,041.24   | 37.29%                                 |
| 3.01 to 6.00 to 1                  | 10                                     | 3,192,000   | 574,039   | 5.56:1                              | 23,853.60   | 8.98                                   |
| 6.01 to 7.00 to 1                  | 32                                     | 12,600,000  | 1,851,989                                       | 6.80:1                              | 76,831.70   | 28.93                                  |
| 7.01 to 8.00 to 1                  | 28                                     | 11,310,000  | 1,588,222                                       | 7.12:1                              | 65,861.48   | 24.80                                  |
| Over 8.01 to 1 <sup>(6)</sup>      | <u>47</u>                              | <u>6,110,000</u>                                      | <u>7,977</u>                                    | 765.96:1                            | <u>0.00</u>   | <u>0.00</u>                            |
| <b>Total<sup>(7)</sup></b>         | <b>159</b>                             | <b>\$38,672,000</b>                                   | <b>\$6,395,488</b>                              | 6.05:1                              | <b>\$265,588.02</b>                                       | <b>100.00%</b>                         |

<sup>(1)</sup> Includes all Taxable Property as of July 1, 2018, as confirmed by the Special Tax Consultant with the County.

<sup>(2)</sup> Source: the Appraisal Report.

<sup>(3)</sup> Combined overlapping liens include the Bonds and other direct and overlapping tax and assessment debt shown in Table 3. See "-Direct and Overlapping Indebtedness" herein.

<sup>(4)</sup> The projected Fiscal Year 2019-20 Special Tax levy includes 104 lots that have received a building permit as of February 1, 2019 and 8 lots that are projected by the Developer to have a building permit issued prior to May 1, 2019.

<sup>(5)</sup> The 42 lots with a value-to-lien of less than 3.00-to-1 range from 1.90-to-1 to 2.17-to-1 and were appraised in the current state of either "Finished Lot" or "Under Construction" per the Appraisal Report date of value of November 1, 2018. Improvements are assumed to have occurred since the date of value and are assumed to continue until the dwelling unit is completed.

<sup>(6)</sup> The 47 lots with a value-to-lien of over than 8.01-to-1 all are at 765.96-to-1 and were appraised in the current state of "Finished Lot" per the Appraisal Report date of value of November 1, 2018. These lots are not projected to be levied in Fiscal Year 2019-20 and as such were not allocated a portion of the Bonds.

<sup>(7)</sup> Totals may not sum due to rounding.

Source: *Special District Financing & Administration LLC.*

### Special Tax Delinquencies

Special Taxes were levied within the District are being levied for the first time in Fiscal Year 2018-19. As of December 10, 2018, no Special Taxes were delinquent. Future delinquencies could increase as a result of factors such as changes in the local or national economy, increases in the mortgage rates and/or increases in the unemployment rate in the area. See "SPECIAL RISK FACTORS – Special Tax Delinquencies."

### Largest Taxpayers

Special District Financing & Administration LLC, as Special Tax Consultant to the District, reports that, based on ownership information obtained from the Riverside County Tax Assessor, for the Fiscal Year 2018-19 levy, only the Developer was attributed ownership in more than one taxable Assessor's Parcel. The preceding is based on ownership information provided by the Riverside County Tax Assessor, and neither the District nor the School District can make any representation as to whether individual persons, corporations or other organizations are liable for Special Tax payments in connection with multiple properties held in various names that in the aggregate may be larger than what is suggested by the preceding information. See also "SPECIAL RISK FACTORS – Concentration of Ownership."

## THE MORENO VALLEY UNIFIED SCHOOL DISTRICT

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

### Introduction

The School District was organized as a unified school district of the State in 1962 and provides public education for grades kindergarten through twelve within an area of approximately forty-three square miles located in the County. The School District currently operates twenty-three elementary schools, six middle schools, five high schools, one charter school, and three other alternative schools. Total enrollment for the School District is projected to be 32,986 in Fiscal Year 2018-19.

### Administration

The School District is governed by the School Board, the five members of which are each elected to a four-year term. Elections for positions to the School Board are held every two years, alternating between two and three available positions. Current members of the School Board, together with their office and the date their current terms expire, are listed below. The School Board currently has one vacancy, which is expected to be filled following a special election to be held on May 7, 2019.

### MORENO VALLEY UNIFIED SCHOOL DISTRICT Board of Education

| <u>Name</u>         | <u>Office</u>  | <u>Current Term Expires</u> |
|---------------------|----------------|-----------------------------|
| Jesus M. Holguin    | President      | December 2022               |
| Cleveland Johnson   | Vice President | December 2022               |
| Dr. Marsha S. Locke | Clerk          | December 2022               |
| Susan J. Smith      | Member         | December 2020               |

The Superintendent of the School District is responsible for administering the affairs of the School District in accordance with the policies of the School Board. A brief biography of the Superintendent follows:

***Dr. Martinrex Kedziora, Superintendent.*** Dr. Kedziora was appointed as Superintendent of the School District on January 17, 2017. He previously served the School District as the Chief Academic Officer for approximately six years. Dr. Kedziora has over 35 years of experience in a variety of capacities, including teacher, vice principal, principal, special education coordinator and director of professional development and middle-grades curriculum and instruction. He earned his Doctorate degree in education from the University of La Verne.

***Tina Daigneault, Chief Business Official.*** Ms. Daigneault was appointed as Chief Business Official of the School District on September 13, 2016. Previously, Ms. Daigneault served as the Chief Business Official for the Perris Elementary School District for four years. Ms. Daigneault's other prior positions include serving as the Controller for the Alvord Unified School District, Administrator of District Fiscal Services at the Riverside County Office of Education, and in various capacities at the Riverside Unified School District. Ms. Daigneault has over 20 years of experience in school business and finance, and received her bachelor's degree in administrative studies from the University of California, Riverside.

## Average Daily Attendance

The following table shows the average daily attendance (“A.D.A.”) for the School District over the last 10 Fiscal Years and for the current Fiscal Year.

**TABLE 7**  
**AVERAGE DAILY ATTENDANCE<sup>(1)</sup>**  
**FISCAL YEARS 2008-09 THROUGH 2018-19**  
**MORENO VALLEY UNIFIED SCHOOL DISTRICT**

| <u>Fiscal Year</u>     | <u>Average Daily Attendance</u> |
|------------------------|---------------------------------|
| 2008-09                | 33,899                          |
| 2009-10                | 34,157                          |
| 2010-11                | 34,072                          |
| 2011-12                | 33,857                          |
| 2012-13                | 33,847                          |
| 2013-14                | 32,861                          |
| 2014-15                | 32,149                          |
| 2015-16                | 32,013                          |
| 2016-17                | 31,536                          |
| 2017-18                | 31,146                          |
| 2018-19 <sup>(2)</sup> | 31,146                          |

<sup>(1)</sup> Reflects A.D.A as of the second principal reporting period, ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.

<sup>(2)</sup> Projected.

*Source: The School District.*

## General Economic and Demographic Information Regarding the County of Riverside and the City of Moreno Valley

See Appendix C – “GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF RIVERSIDE AND THE CITY OF MORENO VALLEY” hereto for general information regarding the economy in the region of the District, including data concerning the City and the County.

## OWNERSHIP AND DEVELOPMENT OF THE DISTRICT

*The information about KB HOME California LLC (previously defined as “KB” or the “Developer”) contained in this Official Statement has been provided by representatives of the Developer and has not been independently confirmed or verified by the Underwriter, the School District or the District. None of the Underwriter, the School District, or the District makes any representation as to the accuracy or adequacy of this information. There may be material adverse changes in this information after the date of this Official Statement.*

*No assurance can be given that development of the property in the District will proceed when or as currently planned, or that the Developer will not sell all or any portion of its current property holdings within the District before the planned development is completed. Neither the Bonds nor the Special Taxes are personal obligations of any owners of Taxable Property within the District, including the Developer. In the event that a landowner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any landowner. As a result, other than as provided in this Official Statement, no financial statements or information is or will be provided about the Developer or any other current or subsequent landowner. The Bonds are secured solely by Special Tax and other amounts pledged under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS” and “SPECIAL RISK FACTORS.”*

### **The Developer**

As previously defined in this Official Statement “KB” or the “Developer” is KB HOME California LLC, a Delaware limited liability company which is developing the property within the District. KB is a wholly-owned subsidiary of KB Home, a Delaware corporation (“KB Home”), whose principal executive offices are located in Los Angeles, California. KB Home is a publicly traded company listed on the New York Stock Exchange (the “NYSE”) under the ticker symbol “KBH.” KB Home files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). KB Home’s SEC filings are available to the public over the Internet at the SEC’s website at [www.sec.gov](http://www.sec.gov), and at KB Home’s website at [www.kbhome.com](http://www.kbhome.com). These websites are provided for convenience only; the information on these websites may be incomplete or inaccurate and has not been reviewed by the District, the School District or the Underwriter. Nothing on such websites is a part of this Official Statement or incorporated into this Official Statement by reference.

Founded in 1957, KB Home constructs and sells homes through its operating divisions under the name KB Home. KB Home’s ongoing principal operations are in ten states, including California, Arizona, Nevada, Colorado, New Mexico, Texas, Florida, Maryland, North Carolina, and Virginia within 40 major markets. KB Home first developed homes in California in 1963. KB Home’s homebuilding operations offer a variety of homes designed primarily for first-time, move-up and active adult homebuyers, including attached and detached single-family homes, townhomes and condominiums.

### **General Description of the Development**

The District consists of approximately 26.2 acres of taxable property located southwest of the intersection of Brodiaea Avenue and Wilmot Street in the City within Final Tract map No. 36436. The taxable property in the District is comprised of 159 single-family detached residential lots being developed by KB in a community known as Bella Cortina. As of November 1, 2018, the date of value of the Appraisal Report, out of the 159 single family detached units planned within the District, there were 34 completed production homes which had been conveyed to individual homeowners, 26 completed homes owned by Developer (including 3 model homes), 44 homes under construction, and 55 lots in a finished condition upon which single family homes are projected to be built but which had not yet been released for sale.



**Development and Financing Plan**

The Developer is in the process of completing the infrastructure required for development of the community. As of November 2018, all grading, sewer, water, storm drain, and street improvements have been completed for all 159 residential lots. All other approvals and permits required for development of the property within the District have been secured except as otherwise described in this Official Statement and except for approvals required in the normal course of development.

KB’s development plans for Bella Cortina include the construction and sale to individual homebuyers of 159 single family detached residential units encompassing five floor plans ranging in size from approximately 1,772 square feet to approximately 3,061 square feet, with minimum lot sizes of 6,000 square feet. As of February 1, 2019, 104 of the 159 building permits have been issued within the District. The first homes within the District were completed and conveyed to individual homeowners in April 2018. KB estimates that all homes within the development will be conveyed to individual homeowners by the third quarter of 2020.

While the information in this Official Statement reflects Developer’s current development expectations, no assurances can be given that final home construction and conveyance to individual home buyers will be carried out on the schedule or according to the plans described in this Official Statement.

A summary of the proposed units, development status and product mix for the Bella Cortina development within the District is set forth in the tables below.

**TABLE 8  
COMMUNITY FACILITIES DISTRICT NO. 2015-2  
OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT  
DEVELOPMENT SUMMARY  
(As of February 1, 2019)**

| <b><u>Total<br/>Units<br/>Planned</u></b> | <b><u>Total<br/>Permits<br/>Issued</u></b> | <b><u>Closed<br/>to<br/>Individual<br/>Homeowners</u></b> | <b><u>Completed<br/>Homes Owned<br/>by<br/>Developer<sup>(1)</sup></u></b> | <b><u>Under<br/>Construction<sup>(2)</sup></u></b> | <b><u>Finished<br/>Lots</u></b> |
|---|--|---|--|--|---------------------------------|
| 159                                       | 104  | 50  | 12   | 42   | 55                              |

<sup>(1)</sup> Includes 3 completed model homes, and 9 completed production homes of which 3 were under contract to be sold.

<sup>(2)</sup> Homes with building permits issued are assumed to be under construction. Of the 42 homes identified above, 12 were under contract to be sold.

Source: Developer.

**TABLE 9**  
**COMMUNITY FACILITIES DISTRICT NO. 2015-2**  
**OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT**  
**SUMMARY OF DEVELOPMENT BY PLAN TYPE**  
**(As of February 1, 2019)<sup>(1)</sup>**

| <u>Plan</u> <sup>(2)</sup> | <u>Est. Sq. Ft.</u> | <u>Closed to Individual Homeowners</u> | <u>Completed Homes</u> <sup>(3)</sup> | <u>Under Construction</u> <sup>(4)</sup> | <u>Est. Remaining Lots</u> | <u>Total Lots</u> | <u>Base Home Price</u> <sup>(5)</sup> |
|----------------------------|---------------------|--|---------------------------------------|--|----------------------------|-------------------|---------------------------------------|
| 1                          | 1,772               | 7                                      | 3                                     | 4  | 0                          | 14                | \$361,990                             |
| 2                          | 1,905               | 10                                     | 4                                     | 9  | 0                          | 23                | \$366,990                             |
| 3                          | 2,128               | 16                                     | 1                                     | 13                                       | 13                         | 43                | \$382,990                             |
| 4                          | 2,617               | 9                                      | 3                                     | 6  | 0                          | 18                | \$396,990                             |
| 5                          | 3,061               | 8                                      | 1                                     | 10                                       | 9                          | 28                | \$418,990                             |
| 6                          | 1,474               | 0                                      | 0                                     | 0  | 8                          | 8                 | TBD                                   |
| 7                          | 1,720               | 0                                      | 0                                     | 0  | 12                         | 12                | TBD                                   |
| 8                          | 2,239               | <u>0</u>                               | <u>0</u>                              | <u>0</u>                                 | <u>13</u>                  | <u>13</u>         | TBD                                   |
|                            |                     | 50                                     | 12                                    | 42                                       | 55                         | 159               |                                       |

<sup>(1)</sup> The Developer reports that, as of February 8, 2019, sales to individual owners for an additional 16 homes and the three model homes have closed. No additional permits have been issued.

<sup>(2)</sup> KB is currently planning to include 3 additional plans within the Bella Cortina development (Plans 6, 7 and 8 shown above). As of February 15, 2019, the architectural plans for these homes are undergoing final review by the City.

<sup>(3)</sup> Includes 3 completed model homes.

<sup>(4)</sup> Includes lots for which building permits have been issued.

<sup>(5)</sup> Base Home Prices are base sales prices as of February 1, 2019 per the KB Home website.

Source: the Developer.

As of January 1, 2019, the Developer had expended approximately \$32.5 million in land acquisition and various site development and home construction costs, excluding marketing and sales costs, internal financing repayment, corporate overhead allocation and other carry costs related to its property in the District. The Developer estimates that it will require an additional \$22.1 million to complete its land development and home construction within the District. To date, the Developer has financed its land acquisition, various site development costs, and home construction costs related to its property in the District through home sales and internally generated funds. The Developer expects to use home sales and internal funding to complete its development within the District. However, many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses of funds to differ from the projections described in this Official Statement. Notwithstanding the foregoing, the Developer believes that it will have sufficient funds available to complete its proposed development in the District, commensurate with the development timing described in this Official Statement.

Although the Developer expects to have sufficient funds available to complete its development in the District, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available from the Developer or any other source when needed. Neither the Developer, nor its parent, KB Home, nor any of its related entities are under any legal obligation of any kind to expend funds for the remaining development of and construction of homes on its property in the District. Any contributions by the Developer or KB Home to fund the costs of such development and home construction are entirely voluntary.

**If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by the Developer within the District and other financing by the Developer is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Developer in the District and the remaining portions of the project in the District may not be developed.**

**Neither the Developer nor its parent has a legal obligation to Owners or Beneficial Owners of the Bonds to make any such funds available to fund the remaining development costs. Many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ from the projections.**

### **History of Property Tax Payments; Loan Defaults; Bankruptcy**

In connection with the issuance of the Bonds, the Developer has represented to the District in a Letter of Representations (the "Developer Letter of Representations") as follows:

*No Material Defaults.* Except as described in this Official Statement, to the Actual Knowledge of the Developer, neither the Developer nor any of its Relevant Entities is currently in material default on any loans, lines of credit, credit agreements, or other material contractual or financial obligations, or in breach of any applicable law, regulation, judgment or decree, and no event has occurred and is continuing that would constitute such a default or breach, the result of which could materially adversely affect the ability of the Developer: (i) to acquire, own, develop and sell the Property, as described in the Official Statement, (ii) to pay Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency, (iii) to carry on its business as described in the Official Statement, or (iv) to perform its obligations under the Developer Continuing Disclosure Agreement.

*Special Tax and Assessment Delinquencies.* The Developer has been developing or has been involved in the development of numerous projects over an extended period of time. It is likely that the Developer has been delinquent at one time or another in the payment of *ad valorem* property taxes, special assessments or special taxes. However, except as disclosed in this Official Statement, to the Actual Knowledge of the Developer, neither the Developer nor any of its Relevant Entities is currently in default in, or, in the last five years, during the period of its ownership, has ever defaulted to any material extent in, the payment of special taxes or assessments in connection with the District or any other community facilities districts or assessment districts in California that caused a draw on a reserve fund relating to such community facilities district or assessment district, or that was not cured prior to the institution of any enforcement action with a court of law.

*No Litigation.* Except as set forth in this Official Statement, to the Actual Knowledge of the Developer, there is no litigation, inquiry, investigation or administrative proceeding, before or by any court, regulatory agency, public board or body pending against the Developer (with service of process to the Developer having been accomplished), or to the Actual Knowledge of the Developer, overtly threatened in writing against the Developer, or to the Actual Knowledge of the Developer, pending or overtly threatened in writing against any Relevant Entity of the Developer, in each case which, if successful, could reasonably be expected to: (i) materially adversely affect the ability of the Developer to acquire, own, develop and sell the Property, as described in the Official Statement, (ii) materially adversely affect the ability of the Developer to pay Special Taxes on property within the District (to the extent the responsibility of the Developer) prior to delinquency, (iii) materially adversely affect the ability of the Developer to carry on its business as described in the Official Statement, (iv) materially adversely affect the ability of the Developer to perform its obligations under the Developer Continuing Disclosure Agreement, (v) challenge, question the validity or enforceability of, or restrain or enjoin the performance of, the Special Taxes, the Bonds, the Resolution of Issuance, the Fiscal Agent Agreement, the Developer Continuing Disclosure Agreement or the Purchase Agreement, or (vi) restrain or enjoin collection of Special Taxes or other sums to be pledged to pay the principal of and interest on the Bonds.

*No Bankruptcy.* Except as described below or as otherwise disclosed in the Official Statement:

(i) the Developer and, to the Actual Knowledge of the Developer, its Relevant Entities, are able to pay their respective bills as they become due; (ii) neither the Developer nor, to the Actual Knowledge of the Developer, any of its Relevant Entities, has filed for bankruptcy or been declared bankrupt in the last 10 years; and (iii) to the Actual Knowledge of the Developer, neither the Developer nor any of its Relevant Entities has any proceedings pending (with service of process to the Developer having been accomplished) or overtly threatened in writing in which the Developer or any of its Relevant Entities may be adjudicated as bankrupt, become the debtor in a bankruptcy proceeding, be discharged from any or all of its respective debts or obligations, be granted an extension of time to pay its respective debts or obligations, or be granted a reorganization or readjustment of its respective debts or obligations.

*Definitions.* As used in the above representations of the Developer, the following defined terms and phrases have the following meanings:

“Actual Knowledge of the Developer” means the knowledge that the individual signing the Developer Certificate on behalf of the Developer (the “Authorized Officer”) currently has as of the date of delivery of the Developer Certificate containing the above-described representations, or has obtained through (i) interviews with such current officers and responsible employees of the Developer and its Relevant Entities as the Authorized Officer has reasonably determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Developer Letter of Representations, and (ii) reviews of documents reasonably available to the Authorized Officer and which the Authorized Officer has reasonably deemed necessary for the Authorized Officer to obtain knowledge of the matters set forth in the Developer Letter of Representations. The Developer Letter of Representations will acknowledge that such Authorized Officer has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer's current business and operations and that the Authorized Officer has not contacted any individuals who are no longer employed by or associated with the Developer.

“Control” (including the terms “controlling,” “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the Developer, whether through the ownership of voting securities, by contract or otherwise.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Property” means property currently owned by the Developer within the District, as further described in the Official Statement.

“Relevant Entity” means, with respect to the Developer, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with the Developer, and (ii) for whom information could be material to potential investors in their investment decisions regarding the Bonds (including without limitation information relevant to the proposed development of the Property, or to the Developer's ability to pay the Special Taxes on the Property).

## **SPECIAL RISK FACTORS**

*The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District and the value of the Bonds in the secondary market. See “– Insufficiency of Special Taxes” and “– Limited Secondary Market.” Finally, the following risk factors are not presented in an order reflective of their relative importance to purchasers of the 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 residential property and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires, floods, and drought), which may result in uninsured losses; and (iv) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the 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 “– Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the School District’s ability to pursue judicial proceedings with respect to delinquent parcels.

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

Redemption of the Bonds from prepaid Special Taxes could be made by any of the owners of any of the property within the District including the Developer, or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds.

### **Limited Obligations**

The Bonds and interest thereon are not payable from the general funds of the School District. Except with respect to the Special Taxes, neither the faith and credit nor the taxing power of the District or the School District is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Fiscal Agent Agreement, no owner of the Bonds may compel the exercise of any taxing power by the District or the School District or force the forfeiture of any School District or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the School District or a legal or equitable pledge, charge, lien or encumbrance upon any of the School District’s or the District’s property or upon any of the School District’s or the District’s income, receipts or revenues, except the Net Taxes and other amounts pledged under the Fiscal Agent Agreement.

## **Concentration of Ownership**

Until the construction and sale of additional homes to individual homeowners, the receipt of the Special Taxes is dependent in part on the willingness and the ability of the Developer to pay the Special Taxes when due. Failure of the Developer, or any successor, 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. See “—Failure to Develop Properties” below.

The Developer and its successors-in-interest (other than individual homeowners) are required to provide and maintain the Letter of Credit, and the Developer has provided the Letter of Credit described in this Official Statement as partial security for the payment of principal and interest on the Bonds. The Letter of Credit for the Developer and its successors will be released when individual homeowners own 88 or more of the single-family residential homes being developed by the Developer within the District. See “SOURCES OF PAYMENT FOR THE BONDS—Letter of Credit Fund.”

No assurance can be given that the Developer, or its successors, will complete the intended construction and development in the District. See “—Failure to Develop Properties” below. No assurance can be given that the Developer, or its successors, will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “—Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

## **Insufficiency of Special Taxes**

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on the land use class to which a parcel of Developed Property is assigned. See Appendix A – “RATE AND METHOD OF APPORTIONMENT” and “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes.”

The Bonds have been sized to produce debt service coverage on the Bonds from Assigned Special Taxes from Developed Property of at least 110%, net of the Administrative Expense Requirement, increasing by 2% each Fiscal Year beginning in Fiscal Year 2019-20. Additionally, if necessary due to delinquencies, extraordinary Administrative Expenses or otherwise, Special Taxes up to the maximum Special Taxes as permitted by the Rate and Method and the Resolution of Formation. See “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – Rate and Method of Apportionment of Special Tax – Method of Apportionment.” Notwithstanding that the maximum Special Taxes that may be levied in the District exceeds debt service due on the Bonds, the Special Taxes 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.

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District has established a Reserve Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund.” The District will covenant to maintain in the Reserve Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the District may not levy the Special Tax in the District in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method. As a result, if a significant number of delinquencies occur, the District could be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the Bonds could occur.

The District will covenant that, under certain conditions, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be

required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Foreclosure Sales” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District on behalf of the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement, even if the Special Tax is levied at the maximum Special Tax rates. See “– Bankruptcy and Foreclosure” for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax expressly exempts certain property owned by public agencies and other exempt entities in the District. See “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – Developed and Undeveloped Property; Exempt Property” and Section E of the Rate and Method included as Appendix A – “RATE AND METHOD OF APPORTIONMENT.” If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within the District 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 Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was 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.

### **Failure to Develop Property**

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer or any property owner to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Finally, development of land is subject to economic considerations.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the

nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in the District as planned, or substantial delays in the completion of the development or the required infrastructure for the development due to litigation or other causes may reduce the value of the property within the District, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes when due.

There can be no assurance that land development operations within the District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Taxes when due.

### **Natural Disasters**

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, droughts, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. According to the California Seismic Safety Commission, the District is located within Zone 4, which is considered to be the highest risk zone in California. In addition, the District is located within a Fault-Rupture Hazard Zone (also known as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology. The District is not located in a special flood hazard area as designated by the Federal Emergency Management Agency.

In the event of a severe earthquake, wildfire, flood, drought or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

### **Hazardous Substances**

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.



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

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

### **Payment of the Special Tax is not a Personal Obligation of the Property 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 property owner.

### **Appraised Value**

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires, floods, landslides or stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes.

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal Report that as of November 1, 2018, the aggregate market value of the land and improvements within the District was \$38,672,000. The Appraiser has also concluded in the Bring Forward Letter that that the aggregate value of land and improvements within the District, as of February 1, 2019, was not less than the value set forth in the Appraisal Report. The Appraisal Report and the Bring Forward Letter are each based on a number of assumptions and limiting conditions as stated in Appendix H — "THE APPRAISAL REPORT AND BRING FORWARD LETTER." The Appraisal Report and Bring Forward Letter do not reflect any possible negative impact which could occur by reason of an economic downturn, the presence of hazardous substances or other adverse soil conditions within the District, natural disasters or other similar situations.

Prospective purchasers of the Bonds should not assume that the land within the District could be sold for the amount stated in the Appraisal Report at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See Appendix H — "THE APPRAISAL REPORT AND BRING FORWARD LETTER" for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land and improvements within the District from that estimated by the Appraiser. Additionally, value-to-lien ratios of individual parcels vary greatly. See "THE COMMUNITY FACILITIES DISTRICT – Estimated Value-to-Lien Ratios."

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

### **Parity Taxes and Special Assessments**

Property within the District is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within the District. See “THE COMMUNITY FACILITIES DISTRICT – Direct and Overlapping Indebtedness.”

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special 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. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “– Bankruptcy and Foreclosure.”

**Neither the District nor the School District have control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within the District described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICT – Direct and Overlapping Indebtedness” and “–Estimated Value-to-Lien Ratios.”**

### **Disclosures to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value 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 School District has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County 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 Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

### **Special Tax Delinquencies**

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act

currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See “SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Foreclosure Sales” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “– Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation 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.

### **FDIC/Federal Government Interests in Properties**

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”), or other federal government entities such as Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the Internal Revenue Service or other federal agency, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District may be constrained. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution “this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding.” In the absence of Congressional intent to

the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “– Insufficiency of Special Taxes.”

The District's remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

### **Bankruptcy and Foreclosure**

The collection of the Special Taxes and the ability of the School District to foreclose the lien of a delinquent Special Tax payment may be limited by bankruptcy, reorganization, insolvency, or other similar laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940) or by the laws of the State relating to judicial foreclosure. See “SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Foreclosure Sales.” In addition, the prosecution of a foreclosure could be delayed due to crowded local court calendars or legal delaying tactics. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by references to moratorium, bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the lien of Special Taxes to become extinguished, bankruptcy of a property owner or of a partner or other equity owner of a property owner could result in a stay of enforcement of the lien for the Special Taxes, a delay in prosecuting superior court foreclosure proceedings, or adversely affect the ability or willingness of a property owner to pay the Special Taxes, and could result in the possibility of delinquent Special Taxes not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the applicable property was determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Taxes, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds. Moreover, amounts received upon foreclosure sales may not be sufficient to fully discharge the related delinquent Special Taxes. To the extent that a significant percentage of the taxable property in the District is the subject of bankruptcy proceedings, the payment of the Special Taxes and the ability of the School District to foreclose the lien of delinquent Special Taxes could be extremely curtailed by bankruptcy, insolvency, or other laws generally affecting creditors' rights, or by the laws of the State relating to judicial foreclosure.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued an opinion in a bankruptcy case entitled *In re Glasply Marine Industries*, holding that *ad valorem* property taxes levied by a county in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over the claims of 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 subsequent to the filing of the bankruptcy petition were declared to be “administrative expenses” of the

bankruptcy estate, payable after the claims of all secured creditors. As a result, the secured creditor was able to foreclose on the subject property and retain all the proceeds from the sale thereof except the amount of the pre-petition taxes. Pursuant to this holding, post-petition taxes would be paid only as administrative expenses and only if a bankruptcy estate has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would be subject only to current *ad valorem* property taxes (*i.e.*, not those accruing during the bankruptcy proceeding).

The *Glasply* decision is controlling precedent in bankruptcy court in the State. If *Glasply* were held to be applicable to the Special Taxes, a bankruptcy petition filing would prevent the lien for Special Taxes levied in subsequent Fiscal Years from attaching so long as the property was part of the estate in bankruptcy, which could reduce the amount of Special Taxes available to pay debt service on the Bonds. However, *Glasply* speaks as to *ad valorem* property taxes, and not special taxes, and no case law exists with respect to how a bankruptcy court would treat a lien for special taxes levied after the filing of a petition for bankruptcy.

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

#### **No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Fiscal Agent Agreement, an owner is given the right for the equal benefit and protection of all owners of the Bonds similarly situated to pursue certain remedies described in Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.” See also, “– Limitations on Remedies” below.

#### **Tax Cuts and Jobs Act**

H.R. 1 of the 115th U.S. Congress, also known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within the District. However, the District cannot predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in the District or the ability or willingness of homeowners to pay Special Taxes or property taxes.

#### **Loss of Tax Exemption**

As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Fiscal Agent Agreement with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Fiscal Agent Agreement.

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

The Internal Revenue Service 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 Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds or securities).

## **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 statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **Proposition 218**

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

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

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

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

It may be possible, however, for voters or the School Board 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.

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

The election authorizing the special tax was limited 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 not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the 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 shall 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 was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (viz., all of the registered voters in San Diego). The election held in the District had no registered voters within the District at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the 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 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 Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds.

Landowners within the District approved the applicable Special Tax and the issuance of bonds on June 19, 2005. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS – Limitations on Remedies.”

### **Ballot Initiatives**

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. 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 initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or

legislation might place limitations on the ability of the State, the School District, or local districts to increase revenues or to increase appropriations.

### **Limitations on Remedies**

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or others similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

## **CONTINUING DISCLOSURE**

### **Current Undertaking**

***District Continuing Disclosure.*** Pursuant to the District Continuing Disclosure Agreement, the District will agree to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at [www.emma.msrb.org](http://www.emma.msrb.org) ("EMMA"), on an annual basis by March 1 of each Fiscal Year beginning March 1, 2020, certain financial information and operating data concerning the District. The District has further agreed to provide notice to EMMA of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the School District or the District other than Net Taxes and other amounts held under the Fiscal Agent Agreement. See "SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS – Limited Obligations." The full text of the District Continuing Disclosure Agreement is set forth in Appendix E.

***Developer Continuing Disclosure.*** To provide updated information with respect to the development within the District, the Developer will execute the Developer Continuing Disclosure Agreement, pursuant to which the Developer will covenant to provide semiannual reports until satisfaction of certain conditions set forth therein. Such periodic reports will contain updates regarding the Developer's development within the District, as provided in Section 4 of the Developer Continuing Disclosure Agreement attached as Appendix F. In addition to the periodic reports, the Developer will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Agreement. The full text of the Developer Continuing Disclosure Agreement is set forth in Appendix F.

### **No Prior Continuing Disclosure Undertaking by the District**

Within the past five years, the District has not been subject to any undertaking pursuant to Rule 15c2-12 to provide annual reports or notices of specified events. The District is the obligated person under the District Continuing Disclosure Agreement.

### **Prior Continuing Disclosure Compliance by the School District and Affiliates**

A review of previous disclosure filings for the past five years with respect to financings by the School District, the Moreno Valley Unified School District Financing Authority, and other community facilities districts formed by the School District indicates that the School District failed to timely file certain information



required in annual reports required under by prior undertakings pursuant to Rule 15c2-12 with respect to the School District's outstanding general obligation bond and certificates of participation financings. Such information has since been filed.

### **Prior Continuing Disclosure Compliance by the Developer**

The Developer has represented to the District that, based on a review of prior continuing disclosure undertakings, the Developer has not failed to comply in any material respect with any previous undertaking by it to provide periodic continuing disclosure reports or notices of listed events with respect to community facilities districts or assessment districts in California within the past five years except as follows: in connection with a continuing disclosure undertaking entered into by an affiliate of KB Home, KB Home Coastal, Inc., with respect to the \$16,135,000 City of Ontario Community Facilities District No. 24 (Park Place Facilities Phase I) Special Tax Bonds, Series 2016, such affiliate was late in filing its semiannual report due on April 30, 2017.

## **TAX MATTERS**

### **Tax Exemption**

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, compliance with certain covenants, interest the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District will covenant in the Fiscal Agent Agreement to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Fiscal Agent Agreement and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel. Bond Counsel expresses no opinion regarding other tax consequences arising with respect to the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income taxation.

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

See Appendix B – “FORM OF OPINION OF BOND COUNSEL” for the proposed form of the opinion of Bond Counsel.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the School District, as applicable, or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit

examination by the Internal Revenue Service. Under current procedures, parties other than the District and their respective appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District, the School District or the Beneficial Owners to incur significant expense.

### **Original Issue Discount; Premium Bonds**

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semi-annually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

The Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations the amount of tax-exempt interest received, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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

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

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

As discussed in this Official Statement, under the caption “LEGAL MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to special

redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Fiscal Agent Agreement.

### **Backup Withholding**

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

### **Absence of Litigation**

No litigation is pending or threatened concerning the validity of the Bonds. There is no action, suit or proceeding known by the District or the School District to be pending 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 District or the School District taken with respect to the execution thereof. A no litigation certificate executed by the School District on behalf of the District will be delivered to the Underwriter simultaneously with the delivery of the Bonds.

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

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

## **LEGAL MATTERS**

The legal opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, approving the validity of the Bonds, substantially in the form set forth as Appendix B hereto, will be made available to the purchasers at the time of original delivery of the Bonds. A copy of such legal opinion will be printed on each Bond. Certain legal matters will be passed on for the District and the School District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, as special counsel to such entities, for the District by Stradling, Yocca, Carlson & Rauth, a Professional Corporation, San Francisco, California, as Disclosure Counsel, for the Underwriter by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California as counsel to the Underwriter, and for the Fiscal Agent by its counsel. Bond Counsel and Disclosure Counsel express no opinion to the Owners of the Bonds as to the accuracy, completeness, or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds as to matters related to the Official Statement.

## **NO RATING**

The District has not made and does not contemplate making application to any rating agency for the assignment of a rating to the Bonds.

## **UNDERWRITING**

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$6,566,546.50 (being the aggregate principal amount thereof, plus a net original issue premium of \$316,721.50 and less an Underwriter's discount of \$95,175.00). 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 Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering price stated on the cover page thereof. The offering price may be changed from time to time by the Underwriter.

## **FINANCIAL INTERESTS**

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Fiscal Agent and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Special Tax Consultant and the Appraiser are not contingent upon the issuance and delivery of the Bonds. From time to time, Disclosure Counsel represents the Underwriter on matters unrelated to the Bonds.



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**APPENDIX A**  
**RATE AND METHOD OF APPORTIONMENT**

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RATE AND METHOD OF APPORTIONMENT FOR  
MORENO VALLEY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2015-2

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2015-2 ("CFD No. 2015-2") of the Moreno Valley Unified School District ("School District") and collected each Fiscal Year commencing in Fiscal Year 2014/2015, in an amount determined by the School District, through the application of this Rate and Method of Apportionment as described below. All of the real property within CFD No. 2015-2, 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 acreage of an Assessor's Parcel as shown on an Assessor's Parcel Map. If the acreage is not shown on an Assessor's Parcel Map, the acreage shown on the applicable Final Map, parcel map, condominium plan, or other recorded County map shall be used. If the acreage information supplied by these alternative sources is not available, or in conflict, the acreage used shall be determined by the Assistant Superintendent of Business Services or a designee.

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

**"Administrative Expenses"** means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2015-2: for the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the School District, CFD No. 2015-2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the School District, CFD No. 2015-2 or any designee thereof of complying with School District's, CFD No. 2015-2's 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 cost associated with the computation of the Backup Special Tax; the costs of the School District, CFD No. 2015-2 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 School District's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the School District or CFD No. 2015-2 for any other administrative purposes of CFD No. 2015-2, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

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

**"Assistant Superintendent of Business Services"** means the Assistant Superintendent of Business Services of the Moreno Valley Unified School District or his or her designee.

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

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

**"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. 2015-2, under the Act which are secured by the levy of Special Taxes of CFD No. 2015-2.

**"CFD No. 2015-2"** means the Moreno Valley Unified School District Community Facilities District No. 2015-2.

**"City"** means the City of Moreno Valley.

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

**"Developed 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.

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

**"Final Map"** means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*), an applicable local ordinance or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision.

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

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

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

**“Maximum Special Tax”** means the Maximum Special Tax, determined in accordance with Section C, below, that shall 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 was issued for any type of non-residential use.

**“Outstanding Bonds”** means all Bonds which are deemed to be outstanding under the Indenture.

**“Property Owner Association Property”** means, for each Fiscal Year, any property within the boundaries of CFD No. 2015-2 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year.

**“Proportionately”** means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax. For Undeveloped Property "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property.

**“Public Property”** means, for each Fiscal Year, any property within the boundaries of CFD No. 2015-2 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1<sup>st</sup> of the Fiscal Year, provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use whichever is greater.

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

**“School District”** means the Moreno Valley Unified School District.

**“Special Tax”** means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property in accordance with Section D.

**“Special Tax Requirement”** means that amount required in any Fiscal Year for CFD No. 2015-2 to: (i) pay debt service on all Outstanding Bonds due in the calendar year that commences in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not

limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of school facilities to accommodate students from development in CFD No. 2015-2 eligible under the Act as reasonably determined by the District so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to Undeveloped Property; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within CFD No. 2015-2, levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the Moreno Valley Unified School District, less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the Assistant Superintendent of Business Services pursuant to the Indenture.

**"State"** means the State of California.

**"Taxable Property"** means all of the Assessor's Parcels within the boundaries of CFD No. 2015-2 which have not been prepaid pursuant to Section J or, which are not exempt from the Special Tax pursuant to law or Section E below.

**"Trustee"** means the trustee or fiscal agent under the Indenture.

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

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2015-2 shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Assessor's Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property.

C. MAXIMUM SPECIAL TAX RATE

1. **Developed Property**

a. Maximum Special Tax

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

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

b. Assigned Special Tax

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

**TABLE 1**  
Assigned Special Taxes for Developed Property  
Fiscal Year 2014/2015

| Land Use Category           | Taxable Unit | Developed Floor Area           | Assigned Special Tax Per Taxable Unit |
|-----------------------------|--------------|--------------------------------|---------------------------------------|
| 1 - Residential Property    | DU           | 2,500 sq. ft. or Less          | \$2,090                               |
| 2 - Residential Property    | DU           | 2,501 sq. ft. to 2,700 sq. ft  | \$2,193                               |
| 3 - Residential Property    | DU           | 2,701 sq. ft. to 2,900 sq. ft. | \$2,292                               |
| 4 - Residential Property    | DU           | 2,901sq. ft. or Greater        | \$2,391                               |
| 5 – Nonresidential Property | Acre         | N/A                            | \$15,480.00                           |

c. Backup Special Tax

When a Final Map is recorded within CFD No. 2015-2 the Backup Special Tax for the Assessor’s Parcels of Residential Property within such Final Map area shall be determined. The owner of the property within the Final Map area shall provide the Assistant Superintendent of Business Services a copy of the recorded Final Map and a listing of the square footage of all lots within such Final Map prior to the first request for a certificate of compliance from the School District.

The Backup Special Tax per Assessor’s Parcel of Residential Property within a Final Map shall be determined by multiplying \$15,480 for Fiscal Year 2014/15 by the total Acreage of Taxable Property, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner’s Association Property in such Final Map and dividing such amount by the number of Assessor’s Parcels that are or are expected to be Residential Property (i.e., the number of residential lots or dwelling units) within the Final Map. Table 2 below provides the projected Backup Special Tax for Fiscal Year 2014/2015 for Tract 36436. The actual Backup Special Tax for Tract 36436 will be calculated as described above at the time the Final Map is recorded.

**TABLE 2**  
**Backup Special Taxes**  
**Fiscal Year 2014/2015**

| Map Status    | Projected Final Map Acreage of Taxable Property | Projected Backup Special Tax per Lot or Dwelling Unit*       | Status of Backup Tax* | Projected Number of Dwelling Units |
|---------------|---|--|-----------------------|------------------------------------|
| Tentative Map | 26.17   | (\$15,480.00 times 26.17 divided by 159 lots)<br>\$2,548.00. | Projected             | 159                                |

\* Note: The Backup Special Tax per lot or dwelling unit shown may be modified as described below.

Notwithstanding the foregoing, if all or any portion of the Final Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Special Tax for each Assessor's Parcel of Residential Property in such Final Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Taxes anticipated to apply to the changed or modified Final Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the total Acreage of Taxable Property within the tract, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner Association Property which is ultimately expected to exist in such changed or modified Final Map area, as reasonably determined by the Assistant Superintendent of Business Services.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area for all remaining Fiscal Years in which the Special Tax may be levied.

d. Escalation

Commencing in January of 2015 to be effective for Fiscal Year 2015/2016, the Assigned Special Taxes and the Backup Special Tax shall escalate by two percent (2%) annually and annually thereafter.

## 2. Undeveloped Property

### a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property within CFD 2015-2 shall be \$15,480 per Acre.

### b. Escalation

Commencing in January of 2015 to be effective for Fiscal Year 2015/2016, the Maximum Special Tax for Undeveloped Property shall escalate by two percent (2%) annually and annually thereafter.

## D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2015/2016 and for each following Fiscal Year, the School District shall levy the Special Tax as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at the applicable Assigned Special Tax;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property including Public Property and Property Owner Association Property which is not then exempt at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional moneys are needed to satisfy the Special Tax Requirement 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 shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax as to each such Assessor's Parcel.

## E. EXEMPTIONS

Tax exempt status will be irrevocably assigned by the Assistant Superintendent of Business Services in the chronological order in which property becomes Public Property or Property Owner Association Property provided however, that no such classification shall reduce the sum of all Taxable Property to less than 23.55 Acres. Property that is not exempt from Special Taxes under this section shall be required to prepay the Special Tax in full at the then applicable rate per Acre for Undeveloped Property pursuant to Section J.1. In the event the prepayment is not made pursuant to the preceding sentence, the Assessor's Parcels will be subject to taxation as Undeveloped Property pursuant to the second step of Section D.

F. APPEAL

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

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2015-2 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. EXCESS ASSIGNED ANNUAL SPECIAL TAX FROM DEVELOPED PROPERTY

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

I. PURPOSE OF THE SPECIAL TAXES

The proposed facilities to be financed include: A) elementary, middle, and high school buildings, as well as central administration and support facilities as needed and applicable, together with land and all necessary equipment of the School District; and B) Eastern Municipal Water District sewer and water facilities connection and facility capacity fees, as well as water and sewer facilities, together with an estimated useful life of five (5) years or longer to serve the properties within the District. The foregoing is only by way of explanation and is not a limitation or change to any of the provisions of this RMA.



J. PREPAYMENT OF SPECIAL TAX

The following definition applies to this Section J:

**“Outstanding Bonds”** means all previously issued bonds secured by the levy of Special Taxes, which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Taxes.

**1. Prepayment in Full**

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by an Assessor’s Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to such Assessor’s Parcel may be fully prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Maximum Special Tax obligation shall provide the Assistant Superintendent of Business Services with written notice of intent to prepay, and within five (5) days of receipt of such notice, the Assistant Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2015-2 in calculating the proper amount of a prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the prepayment amount of such Assessor’s Parcel.

- a) The prepayment amount for an Assessor’s Parcel will be equal to the present value of the Assigned Special Tax of such Assessor’s Parcel and the amount determined pursuant to Section J.1.c., if applicable, using a discount rate equal to 6.0% prior to the Issuance of Bonds or the weighted average interest rate on the Outstanding Bonds and the remaining term for which the Special Tax may be levied pursuant to Section J.
- b) A reasonable administrative fee (net of the non-refundable deposit) for determining such prepayment and the call premium, if any, as provided in the Indenture shall be added to the amount determined in Section J.1.a. to determine the total prepayment amount due. The total prepayment amount shall be distributed in accordance with the Indenture.
- c) If at the date of the prepayment calculation all or a portion of the Backup Special Tax is being levied as a result of the total Residential Property units within CFD No. 2015-2 at build out being less than the total estimated residential units that were assumed when the Bonds were issued as determined by the Assistant Superintendent of Business Services, that portion of the Backup Special Tax being levied in excess of the Assigned Special Tax for the Assessor’s Parcel which is seeking the prepayment

shall be added to the Assigned Special Tax in Section J.1.a. for purposes of calculating the prepayment amount.

Upon cash payment of the prepayment amount due pursuant to Section J.1.b. and upon owner providing confirmation from the County to the Assistant Superintendent of Business Services that the current Fiscal Year's Special Tax levy for such Assessor's Parcel has been paid, the School District shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

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

## **2. Prepayment in Part**

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

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

These terms have the following meaning:

PP = the partial prepayment amount

$P_E$  = the prepayment amount calculated according to Section J.1.a., the call premium, if any, as determined by Section J.1.b.

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax.

G = the administrative fee determined in Section J.1.b.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax shall notify the Assistant Superintendent of Business Services of (i) such owner's intent to partially prepay the Maximum Special Tax, and (ii) the percentage by which the Maximum Special Tax shall be prepaid, and within five (5) days of receipt of such notice, the Assistant Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2015-2 in calculating the proper amount of a partial prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the partial prepayment amount of such Assessor's Parcel.

With respect to any Assessor's Parcel that is partially prepaid, the Assistant Superintendent of Business Services shall (i) distribute the funds remitted to it according to the Indenture, and (ii) indicate in the records of CFD No. 2015-2 that there has been a partial prepayment of the Maximum Special Tax and that a portion of the Maximum Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

K. TERM OF THE SPECIAL TAX

The Special Tax shall be levied annually on all Assessor's Parcels of Taxable Property for a maximum of thirty-five (35) years as Developed Property not to exceed Fiscal Year 2055/2056.

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## APPENDIX B

### FORM OF OPINION OF BOND COUNSEL

*Upon delivery of the Bonds, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the Moreno Valley Unified School District, proposes to render their final approving opinion with respect to the Bonds in substantially the following form:*

March 28, 2019

Board of Education  
Moreno Valley Unified School District  
25634 Alessandro Boulevard  
Moreno Valley, CA 92553

Re: \$6,345,000 Community Facilities District No. 2015-2 of the Moreno Valley Unified School District Series 2019 Special Tax Bonds

**Final Opinion of Bond Counsel**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Community Facilities District No. 2015-2 of the Moreno Valley Unified School District (“District”) of \$6,345,000 aggregate principal amount of bonds designated “Community Facilities District No. 2015-2 of the Moreno Valley Unified School District Series 2019 Special Tax Bonds” (“Bonds”). The Bonds are 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), Resolution No. 2018-19-58, adopted by the Board of Education of the Moreno Valley Unified School District (“Board” and “School District,” respectively), acting in its capacity as the Legislative Body of the District on February 12, 2019, and the Fiscal Agent Agreement executed in connection therewith dated as of March 1, 2019, by and between the District and U.S. Bank, National Association (“Fiscal Agent Agreement”). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Fiscal Agent Agreement.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the formation of the District and the issuance of the Bonds (“District Proceedings”). We have also examined certificates and representations made by public officials and officers of the District, the School District and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to, the Tax Certificate, as we have deemed necessary to render the opinions set forth herein.

Attention is called to the fact that we have not been requested to examine, and have not examined, any documents or information relating to the District or the School District other than the record of the District Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to any purchaser of the Bonds. In rendering the opinions set forth herein, we have relied upon the representations of fact and certifications referred to herein, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Fiscal Agent Agreement, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any matters that come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with the issuance thereof and we disclaim any obligation to update this letter.

In addition, we call attention to the fact that the rights and obligations under the Bonds, the Fiscal Agent Agreement and other documents related to the District Proceedings are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. We express no opinion with regard to "Blue Sky" laws in connection with the Bonds. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The Fiscal Agent Agreement and other documents related to the District Proceedings refer to certain requirements and procedures which may be changed and certain actions which may be taken or omitted under the circumstances and subject to terms and conditions set forth in such documents, in certain cases upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to the effect on any Bond or the interest thereon if any such change is made, or action is taken or omitted, upon the advice or approval of counsel other than ourselves.

Based on and subject to the foregoing, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant to the circumstances, we are of the following opinions:

1. The District has, and the District Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of the District, payable in accordance with their terms. The Bonds are limited obligations of the District payable solely from and secured by a pledge of the Net Taxes, and from other funds and accounts pursuant to the Fiscal Agent Agreement, and are not obligations of the School District, the State or any public agency thereof (other than the District). The District has the full right, power and authority to levy and pledge the Net Taxes to the Owners of the Bonds.
2. The Fiscal Agent Agreement has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the District.
3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion as to any matter other than as expressly set forth above.

Very truly yours,

**APPENDIX C**

**GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE  
COUNTY OF RIVERSIDE AND THE CITY OF MORENO VALLEY**

*The following information concerning the City of Moreno Valley (the “City”), the County of Riverside (the “County”) and the State of California (the “State”) is included only for the purpose of supplying general information regarding the general area in which the District is located. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and none of the County, the State nor any of its political subdivisions is liable therefor.*

**General**

The School District encompasses approximately 752 square miles of the southern part of Riverside County (the “County”).

The County is the fourth largest county in the State of California (the “State”), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law city with its County seat located in the city of Riverside.

A relatively young city, Moreno Valley (the “City”) witnessed rapid growth in the 1980s and the first decade of the 21st century, making it the second-largest city in Riverside County by population. Located just north of Lake Perris, the City shares March Joint Air Reserve Base with both Riverside, California and the city of Perris. The City is an incorporated common law city and is governed by a council-manager government.

**Population**

The following table lists population estimates for the City, County and State for the past ten years.

**POPULATION ESTIMATES  
City of Moreno Valley, County of Riverside and State of California  
2009-2018**

| <i>Year<sup>(1)</sup></i> | <i>City of Moreno Valley</i> | <i>County of Riverside</i> | <i>State of California</i> |
|---------------------------|------------------------------|----------------------------|----------------------------|
| 2009                      | 189,690                      | 2,140,626                  | 36,966,713                 |
| 2010 <sup>(2)</sup>       | 193,365                      | 2,189,641                  | 37,253,956                 |
| 2011                      | 195,229                      | 2,212,675                  | 37,536,835                 |
| 2012                      | 196,916                      | 2,240,166                  | 37,881,357                 |
| 2013                      | 198,479                      | 2,265,789                  | 38,238,492                 |
| 2014                      | 199,752                      | 2,291,262                  | 38,572,211                 |
| 2015                      | 201,387                      | 2,317,895                  | 38,915,880                 |
| 2016                      | 202,621                      | 2,346,717                  | 39,189,035                 |
| 2017                      | 204,285                      | 2,382,640                  | 39,500,973                 |
| 2018                      | 207,629                      | 2,415,955                  | 39,809,693                 |

<sup>(1)</sup> Except where noted, as of January 1.

<sup>(2)</sup> As of April 1.

Source: California Department of Finance.

## Personal Income

The following table shows of per capita personal income for the County, State of California and the United States from 2008 through 2017.

**PER CAPITA PERSONAL INCOME<sup>(1)</sup>**  
**County of Riverside, State of California, and United States**  
**2008-2017**

| <i>Year</i> | <i>County of Riverside</i> | <i>State of California</i> | <i>United States</i> |
|-------------|----------------------------|----------------------------|----------------------|
| 2008        | \$31,627                   | \$43,895                   | \$40,904             |
| 2009        | 30,451                     | 42,050                     | 39,284               |
| 2010        | 30,685                     | 43,609                     | 40,545               |
| 2011        | 32,179                     | 46,145                     | 42,727               |
| 2012        | 32,707                     | 48,751                     | 44,582               |
| 2013        | 33,383                     | 49,173                     | 44,826               |
| 2014        | 34,732                     | 52,237                     | 47,025               |
| 2015        | 36,603                     | 55,679                     | 48,940               |
| 2016        | 37,827                     | 57,497                     | 49,831               |
| 2017        | 39,261                     | 59,796                     | 51,640               |

<sup>(1)</sup> 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.

## Retail Trade

The following tables present a five-year history of taxable sales in the County and City.

**ANNUALIZED TAXABLE SALES**  
**County of Riverside**  
**2013-2017**  
**(Dollars in Thousands)**

| <i>Year</i> | <i>Retail Permits</i> | <i>Retail Stores Taxable Transactions</i> | <i>Total Permits</i> | <i>Total Outlets Taxable Transactions</i> |
|-------------|-----------------------|---|----------------------|---|
| 2013        | 33,391                | \$21,306,774                              | 46,805               | \$30,065,467                              |
| 2014        | 34,910                | 22,646,343                                | 48,453               | 32,035,687                                |
| 2015        | 38,184                | 23,281,724                                | 56,846               | 32,910,910                                |
| 2016        | 38,445                | 24,022,136                                | 57,771               | 34,231,143                                |
| 2017        | 38,967                | 24,342,394                                | 58,969               | 35,325,104                                |

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



**ANNUALIZED TAXABLE SALES**  
**City of Moreno Valley**  
**2013-2017**  
**(Dollars in Thousands)**

| <i>Year</i> | <i>Retail Permits</i> | <i>Retail Stores Taxable Transactions</i> | <i>Total Permits</i> | <i>Total Outlets Taxable Transactions</i> |
|-------------|-----------------------|---|----------------------|---|
| 2013        | 1,616                 | \$1,240,243                               | 2,116                | \$1,349,129                               |
| 2014        | 1,688                 | 1,307,780                                 | 2,181                | 1,475,946                                 |
| 2015        | 1,920                 | 1,366,324                                 | 2,629                | 1,524,712                                 |
| 2016        | 2,063                 | 1,393,342                                 | 2,823                | 1,571,730                                 |
| 2017        | 2,152                 | 1,467,037                                 | 2,950                | 1,652,123                                 |

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

**Employment**

The following table summarizes civilian labor force, employment and unemployment statistics for the City, County and State from 2013 through 2017.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**City of Moreno Valley, Riverside County and State of California**  
**2013 through 2017**

| <i>Year</i> | <i>Area</i>           | <i>Labor Force</i> | <i>Employment</i> | <i>Unemployment</i> | <i>Unemployment Rate<sup>(1)</sup></i> |
|-------------|-----------------------|--------------------|-------------------|---------------------|--|
| 2013        | City of Moreno Valley | 87,700             | 78,500            | 9,200               | 10.5%                                  |
|             | Riverside County      | 996,400            | 897,700           | 98,700              | 9.9                                    |
|             | State of California   | 18,625,000         | 16,958,400        | 1,666,600           | 8.9                                    |
| 2014        | City of Moreno Valley | 89,100             | 81,300            | 7,800               | 8.7%                                   |
|             | Riverside County      | 1,013,500          | 930,400           | 83,100              | 8.2                                    |
|             | State of California   | 18,758,400         | 17,351,300        | 1,407,100           | 7.5                                    |
| 2015        | City of Moreno Valley | 91,000             | 84,500            | 6,500               | 7.1%                                   |
|             | Riverside County      | 1,035,700          | 966,300           | 69,400              | 6.7                                    |
|             | State of California   | 18,896,500         | 17,724,800        | 1,171,700           | 6.2                                    |
| 2016        | City of Moreno Valley | 92,400             | 86,400            | 6,000               | 6.5%                                   |
|             | Riverside County      | 1,052,600          | 988,200           | 64,500              | 6.1                                    |
|             | State of California   | 19,093,700         | 18,048,800        | 1,044,800           | 5.5                                    |
| 2017        | City of Moreno Valley | 91,400             | 86,200            | 5,200               | 5.7%                                   |
|             | Riverside County      | 1,072,500          | 1,016,200         | 56,300              | 5.2                                    |
|             | State of California   | 19,312,000         | 18,393,100        | 918,900             | 4.8                                    |

<sup>(1)</sup> The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2017 Benchmark.

The following table summarizes the annual average industry employment statistics for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (“MSA”), which includes both Riverside and San Bernardino Counties, between 2013 and 2017.

**INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES**  
**Riverside-San Bernardino-Ontario MSA**  
**2013-2017**

|   | <i>2013</i>    | <i>2014</i>    | <i>2015</i>    | <i>2016</i>    | <i>2017</i>    |
|---|----------------|----------------|----------------|----------------|----------------|
| Farm                                      | 14,500         | 14,400         | 14,800         | 14,600         | 14,400         |
| Mining and Logging                        | 1,200          | 1,300          | 1,300          | 900            | 900            |
| Construction                              | 70,000         | 77,600         | 85,700         | 92,000         | 97,000         |
| Manufacturing                             | 87,300         | 91,300         | 96,100         | 98,600         | 98,700         |
| Wholesale Trade                           | 56,400         | 58,900         | 61,600         | 62,800         | 63,700         |
| Retail Trade                              | 164,800        | 169,400        | 174,300        | 178,000        | 182,100        |
| Transportation, Warehousing and Utilities | 78,500         | 86,600         | 97,400         | 107,300        | 120,200        |
| Information                               | 11,500         | 11,300         | 11,400         | 11,500         | 11,300         |
| Financial Activities                      | 41,800         | 42,900         | 43,900         | 44,600         | 44,500         |
| Professional and Business Services        | 131,900        | 138,700        | 147,400        | 145,000        | 147,200        |
| Education and Health Services             | 187,600        | 194,800        | 205,100        | 214,300        | 224,800        |
| Leisure and Hospitality                   | 135,900        | 144,800        | 151,700        | 160,200        | 165,700        |
| Other Services                            | 41,100         | 43,000         | 44,000         | 44,600         | 45,600         |
| Government                                | <u>225,200</u> | <u>228,800</u> | <u>233,300</u> | <u>242,300</u> | <u>250,000</u> |
| Total All Industries                      | 1,247,800      | 1,303,700      | 1,367,900      | 1,416,600      | 1,466,000      |

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2017 Benchmark.

**Largest Employers**

The following tables list the largest employers in the County and City as of June 30, 2018.

**LARGEST EMPLOYERS**  
**County of Riverside**  
**As of June 30, 2018**

| <i>Rank</i> | <i>Employer</i>                            | <i>Employees</i> |
|-------------|--|------------------|
| 1.          | County of Riverside                        | 22,038           |
| 2.          | March Air Reserve Base                     | 9,000            |
| 3.          | University of California, Riverside        | 8,829            |
| 4.          | Wal-Mart                                   | --               |
| 5.          | Kaiser Permanente Riverside Medical Center | 5,500            |
| 6.          | Stater Brothers Markets                    | --               |
| 7.          | Corona-Norco Unified School District       | 5,478            |
| 8.          | Pechanga Resort & Casino                   | 4,750            |
| 9.          | Riverside Unified School District          | 4,200            |
| 10.         | Hemet Unified School District              | 4,058            |

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

**PRINCIPAL EMPLOYERS**  
**City of Moreno Valley**  
**As of June 30, 2018**

| <i>Employer</i>                                       | <i>Description</i>        | <i>Number of Employees</i> |
|---|---------------------------|----------------------------|
| 1. March Air Reserve Base                             | Military reserve base     | 9,600                      |
| 2. Amazon.com Inc.                                    | Retail distribution       | 7,500                      |
| 3. Moreno Valley Unified School District              | Public schools            | 3,400                      |
| 4. Riverside University Health Systems Medical Center | County hospital           | 3,100                      |
| 5. Ross Dress for Less/DD's Discounts                 | Retail distribution       | 2,400                      |
| 6. Moreno Valley Mall (excluding major tenants)       | Retail mall               | 1,500                      |
| 7. Kaiser Permanente Community Hospital               | Hospital/Medical services | 1,457                      |
| 8. Harbor Freight Tools                               | Retail distribution       | 788                        |
| 9. Val Verde Unified School District (MV only)        | Public schools            | 640                        |
| 10. United Natural Foods                              | Retail distribution       | 620                        |

Source: *City of Moreno Valley 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.*

**Building Activity**

Provided below are the building permits and valuations for the County and City from 2013 to 2017.

**BUILDING PERMIT VALUATIONS**  
**County of Riverside**  
**2013-2017**  
**(Dollars in Thousands)**

|                    | <i>2013</i>    | <i>2014</i>    | <i>2015</i>    | <i>2016</i>      | <i>2017</i>  |
|--------------------|----------------|----------------|----------------|------------------|--------------|
| Residential        | \$1,375,593    | \$1,621,751    | \$1,536,742    | \$1,759,535      | \$1,903,417  |
| Non-residential    | <u>873,977</u> | <u>814,990</u> | <u>911,465</u> | <u>1,346,020</u> | 1,433,691    |
| Total              | \$2,251,583    | \$2,436,741    | \$2,448,207    | \$3,105,555      | \$3,337,108  |
| Residential Units: |                |                |                |                  |              |
| Single family      | 4,716          | 5,007          | 5,007          | 5,662            | 6,265        |
| Multiple family    | <u>1,427</u>   | <u>1,931</u>   | <u>1,189</u>   | <u>1,039</u>     | <u>1,070</u> |
| Total              | 6,143          | 6,938          | 6,196          | 6,701            | 7,335        |

Source: *Construction Industry Research Board.*

**BUILDING PERMIT VALUATIONS**  
**City of Moreno Valley**  
**2013-2017**  
**(Dollars in Thousands)**

| Valuation (\$000): | <i>2013</i>    | <i>2014</i> | <i>2015</i>    | <i>2016</i>   | <i>2017</i> |
|--------------------|----------------|-------------|----------------|---------------|-------------|
| Residential        | \$49,679       | \$15,229    | \$46,986       | \$53,041      | \$151,647   |
| Non-residential    | <u>109,568</u> | 160,366     | <u>101,190</u> | <u>40,354</u> | \$278,495   |
| Total              | \$161,260      | \$175,595   | \$148,176      | \$93,395      | \$430,142   |
| Residential Units: |                |             |                |               |             |
| Single family      | 133            | 46          | 133            | 100           | 451         |
| Multiple family    | <u>60</u>      | <u>0</u>    | <u>0</u>       | <u>112</u>    | <u>16</u>   |
| Total              | 193            | 46          | 133            | 212           | 467         |

Source: *Construction Industry Research Board.*

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## APPENDIX D

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

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#### COMMUNITY FACILITIES DISTRICT NO. 2015-2 OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT SERIES 2019 SPECIAL TAX BONDS

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*The following is a brief summary of certain provisions of the Fiscal Agent Agreement, relative to the above-referenced Series 2019 Special Tax Bonds. This summary is not intended to be definitive and is qualified in its entirety by reference to such Fiscal Agent Agreement for the complete terms thereof. Copies of the Fiscal Agent Agreement are available upon request from the Moreno Valley Unified School District.*

#### **DEFINITIONS**

The following are summaries of definitions of certain terms used in this Summary. All capitalized terms not defined therein or elsewhere in the Official Statement have the meaning(s) set forth in the Fiscal Agent Agreement.

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

“Administrative Expense Fund” means the fund of that name established under and held by the Fiscal Agent pursuant to the provisions of the Fiscal Agent Agreement.

“Administrative Expense Requirement” means an amount up to a maximum of \$31,500 per Fiscal Year.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes and any other costs related to the Series 2019 Special Tax Bonds and the Fiscal Agent Agreement, including the fees and expenses of the Fiscal Agent and any Persons, parties, consultants or attorneys employed pursuant to the provisions of the Fiscal Agent Agreement, costs and legal expenses of foreclosure actions undertaken pursuant to the terms of the Fiscal Agent Agreement to the extent not recovered pursuant to statutory authorization, costs otherwise incurred by the District in order to carry out the authorized purposes of the Series 2019 Special Tax Bonds, including statutory disclosure for the District’s continuing disclosure obligations and reporting requirements and for “Administrative Expenses” as defined in the Rate and Method.

“Annual Debt Service” means, with respect to any Outstanding Series 2019 Special Tax Bonds, for each Bond Year, the sum of (a) the interest payable on such Series 2019 Special Tax Bonds in such Bond Year, and (b) the principal amount of the Outstanding Series 2019 Special Tax Bonds scheduled to be paid in such Bond Year.

“Authorized Investments” means, subject to the provisions of the Fiscal Agent Agreement, any of the following investments, if and to the extent the same are at the time legal for investment of the School District’s funds:

(a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States of America are pledged for the payment of principal and interest, and which have a maximum term to maturity not to exceed three years.

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, and which have a maximum term to maturity not to exceed three years, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration
- Federal Financing Bank

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America, and which have a maximum term to maturity not to exceed three years:

- Senior debt obligations rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System

(d) Registered state warrants or treasury notes or bonds of the State of California (“State”), including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State, which are rated in one of the two highest short-term or long-term rating categories by Moody’s or Standard & Poor’s.

(e) Registered bonds, notes, warrants or other evidences of indebtedness of any local agency of the State, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, where the interest on such local

agency obligation is exempt from federal and State income taxes and which are rated in one of the two highest short-term or long-term rating categories by Moody's or Standard & Poor's.

(f) Deposit accounts, time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, which may include the Fiscal Agent or its affiliates, or a state or federal savings and loan association; provided, that the certificates of deposit shall be one or more of the following:

- (1) Continuously and fully insured by the Federal Deposit Insurance Corporation.
- (2) Continuously and fully secured by securities described in clause (a) or (b) above which shall have a market value, as determined on a marked-to-market basis calculated at least weekly, and exclusive of accrued interest, or not less than one hundred two percent (102%) of the principal amount of the certificates on deposit.

(g) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's and Standard & Poor's, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an "A2" or "A" or higher rating for the issuer's debentures, other than commercial paper, by Moody's and Standard & Poor's, provided that purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than ten percent (10%) of the outstanding commercial paper of an issuing corporation. Purchases of commercial paper may not exceed twenty percent (20%) of the proceeds of the Bonds.

(h) A repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, the long term debt of which is rated at least "A2" or "A" by Moody's and Standard & Poor's, provided that all of the following conditions are satisfied:

- (1) (A) The agreement is secured by any one or more of the securities described in clause (a) above of this definition of Authorized Investments ("Underlying Securities");
- (B) The Underlying Securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the District of the repurchase agreement ("Holder of Collateral") and the Underlying Securities have been transferred to the Holder of Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books); and

- (C) The Underlying Securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than one hundred three percent (103%) of the amount so invested and at such levels and additional conditions not otherwise in conflict with the terms above as would be acceptable to Standard & Poor's and Moody's to maintain an "A2" or "A" rating in an "A2" or "A" rated structured financing (with a market value approach).
- (2) The repurchase agreement shall provide that if during its term the provider's rating by Moody's and Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must within ten (10) days of receipt of direction from the Fiscal Agent, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.
  - (i) An investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution, the long-term unsecured obligations of which are rated "AA" or "Aa1" or better by Moody's and Standard & Poor's at the time of initial investment ("Provider"). The investment agreement shall be subject to a downgrade provision with at least the following requirements:
    - (1) If within five Business Days after the Provider's long-term unsecured credit rating has been reduced below "AA-" by Standard & Poor's or below "Aa3" by Moody's (these events are called "Rating Downgrades"), the Provider shall give notice to the Fiscal Agent and the District and, within the five-day period, and for as long as the Rating Downgrade is in effect, shall deliver or transfer in the name of the District to the Fiscal Agent, or a third party acceptable to the District, acting solely as agent therefore (the "Holder of Collateral") (other than by means of entries on the Provider's books) federal securities allowed as investments under clause (a) above with aggregate current market value equal to at least one hundred five percent (105%) of the principal amount of the investment agreement invested with the Provider at that time, and shall deliver additional such federal securities as needed to maintain an aggregate current market value equal to at least one hundred five percent (105%) of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly.
    - (2) If the Provider's long-term unsecured credit rating is withdrawn, suspended, other than because of general withdrawal or suspension by Moody's or Standard & Poor's from the practice of rating that debt, or reduced below "Aa3" by Moody's or below "AA-" by Standard & Poor's, the Provider shall give notice of the rating downgrade to the District and the Fiscal Agent, and shall, within five Business Days' of such withdrawal, suspension or reduction, repay the investment agreement, with accrued but unpaid interest thereon to the date of such payment, and terminate such agreement.



(j) A taxable or tax-exempt government money market portfolio mutual fund restricted to obligations with either maturities of one year or less or a dollar weighted average maturity of 120 days or less, and either issued, guaranteed or collateralized as to payment of principal and interest by the full faith and credit of the United States of America or rated in one of the three highest categories by Moody's or Standard & Poor's. Such money market funds may include funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services.

(k) The Local Agency Investment Fund referred to in Section 16429.1 of the Government Code of the State of California, to the extent the Fiscal Agent may deposit and withdraw funds directly.

(l) The Riverside County Investment Pool, provided the District may statutorily invest funds in such Investment Pool.

(m) The California Asset Management Program (CAMP).

“Authorized Representative(s),” “Authorized Officer(s)” or “District Representative(s)” means an officer of the School District authorized to provide written directives on behalf of the District, which shall include the School District's Superintendent, Chief Business Official and such other Persons as shall be designated in writing by the School District.

“Board” or “Board of Education” means the Board of Education of the Moreno Valley Unified School District.

“Bond Counsel” means (a) the firm of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, or (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

“Bond Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Bond Register” means the books which the Fiscal Agent shall keep or cause to be kept on which the registration and transfer of the Series 2019 Special Tax Bonds shall be recorded.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Dated Date to September 1, 2019, both dates inclusive.

“Bondowner(s)” or “Owner(s)” means the Person or Persons in whose name or names any Series 2019 Special Tax Bond is registered.

“Bonds” or “Series 2019 Special Tax Bonds” means the Community Facilities District No. 2015-2 of the Moreno Valley Unified School District Series 2019 Special Tax Bonds.

“Business Day” means a day which is not a Saturday or a Sunday or a day on which banks in Los Angeles, California and New York, New York are not required or permitted to be closed.

“Capitalized Interest Subaccount” means that subaccount of the Interest Account of the Bond Fund established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

“Community Facilities District Policy” means that policy initially adopted by the School District pursuant to California Government Code Section 53312.7 as emended from time to time.

“Completion Date” means the date on which the Project is completed and all Project Costs have been paid as evidenced by a certificate to that effect delivered to the Fiscal Agent by the District.

“Construction Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the District or School District and related to the authorization, issuance and sale of the Series 2019 Special Tax Bonds, which items of expense shall include, but not be limited to, costs of formation of CFD No. 2015-2, printing costs, cost of reproducing and binding documents, closing costs, appraisal costs, mortgage study costs, filing and recording fees, fees and expenses of counsel to the District or School District, initial fees and expenses of the Fiscal Agent, including its first annual administration fee and fees of its counsel, expenses incurred by the District and the School District in connection with the authorization and issuance of the Series 2019 Special Tax Bonds and the establishment of the District, contractual reimbursements due from CFD No. 2015-2, legal fees and charges, including Bond Counsel, District Counsel and Disclosure Counsel, District financial (municipal) consultants’ fees, charges for execution, transportation and safekeeping of the Series 2019 Special Tax Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“County” means the County of Riverside, a political subdivision of the State of California.

“Dated Date” or “Delivery Date” means the date the Series 2019 Special Tax Bonds are delivered.

“Depository” means any depository which holds any Bonds pursuant to the terms of the Fiscal Agent Agreement, initially The Depository Trust Company (“DTC”).

“Developed Property” shall have the same meaning as set forth in the Rate and Method.

“Developer(s)” means those parties which have developed, or are developing, the property within the District as identified under the terms of the Mitigation Agreement.

“Dissemination Agent” means KeyAnalytics, or any successor dissemination agent appointed by the District pursuant to the District’s Continuing Disclosure Agreement.

“District” or “CFD No. 2015-2” means Community Facilities District No. 2015-2 of the Moreno Valley Unified School District.

“District Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Agreement entered into by the District, dated as of March 1, 2019, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“EMWD” or “Water District” means the Eastern Municipal Water District.

“EMWD Facilities” means water and sewer public facilities to be owned by EMWD, exclusive of previously tax-exempt financed facilities, as such public facilities are described in the EMWD Facilities Agreement. EMWD Facilities include, but are not limited to water and sewer transmission pipelines, sewer treatment plants, disposal ponds, pumping plants, lift stations, and water reservoirs, including all costs of site acquisition, planning, design, engineering, legal services, materials testing, coordination, surveying, construction staking construction, inspection and any and all appurtenant meters facilities and appurtenant work relating to the foregoing.

“EMWD Facilities Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“EMWD Facilities Agreement” means that certain Amended and Restated Joint Community Facilities Agreement dated as of January 22, 2019, by and among the School District, EMWD and the Developer(s), and as it may be amended from time to time.

“Excess Investment Earnings” shall mean an amount equal to the sum of:

(i) the excess of

(A) the aggregate amount earned from the Delivery Date on all Nonpurpose Investments in which Gross Proceeds are invested (other than amounts attributable to an excess described in this subparagraph (i)), over

(B) the amount that would have been earned if the yield on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (i)) had been equal to the Yield on the Series 2019 Special Tax Bonds,

plus

(ii) any income attributable to the excess described in paragraph (i).

In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and annual debt service on the Series 2019 Special Tax Bonds during each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of one year's earnings on such fund or account or one-twelfth (1/12) of annual debt service on the Series 2019 Special Tax Bonds, as well as amounts earned on said earnings. The District intends that the Bond Fund, including the Principal Account and the Interest Account established therein, the Special Tax Fund and the Redemption Fund will be the type of funds described in the preceding sentence.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent: (i) direct general obligations of the United States of America (including State and Local Government Series and obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and, (ii) obligations, the payment of principal of and interest on which are fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons.

“Fiscal Agent” means U.S. Bank National Association, and its successors and assigns or any other fiscal agent which may be appointed pursuant to the provisions of the Fiscal Agent Agreement.

“Fiscal Agent Agreement” means that certain agreement, of the same name, dated as of March 1, 2019, entered into by and between the District and the Fiscal Agent providing for certain terms and conditions concerning the Series 2019 Special Tax Bonds and related matters.

“Fiscal Year” means the period from July 1 to June 30 in any year.

“Gross Taxes” means the amount of all Special Taxes collected within Community Facilities District No. 2015-2 as set out in the Rate and Method and proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes.

“Independent Financial Consultant” means a consultant or firm of such consultants generally recognized to be qualified in the field of implementation and administration of community facilities districts, or the financial consulting field, appointed and paid by the District or the School District and who, or each of whom:

- (1) is independent of the District and the School District or any of the property owners within the District;
- (2) does not have any substantial interest, direct or indirect, with the District, the School District, or any of the property owners within the District; and
- (3) is not connected with the District as a member, officer or employee of the District or any of the property owners within the District, but who may be regularly retained to make annual or other reports to the District.

“Informational Services” means the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access (EMMA) system, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the District may designate in a written request of the District delivered to the Fiscal Agent.

“Interest Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Interest Payment Date” means March 1 and September 1 of each year during which Series 2019 Special Tax Bonds are Outstanding, commencing September 1, 2019.

“Legislative Body” or “Legislative Body of CFD No. 2015-2” means the District Board, acting as the Legislative Body of the District.

“Letter of Credit Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the Fiscal Agent Agreement.

“Letter(s) of Credit” means that certain irrevocable, standby letter(s) of credit issued or provided pursuant to the Fiscal Agent Agreement by a Letter of Credit Bank(s), or any reissuance or extension thereof, which Letter(s) of Credit shall be in the applicable Stated Amount and shall be for an initial term of no less than one year.

“Letter of Credit Bank(s)” means the issuer from time to time of a Letter(s) of Credit and the respective successors and assigns of the issuer thereof and any surviving, resulting or transferee banking association or corporation with which, or into which, it may be consolidated or merged or to which it may transfer all of its banking business, provided that such entity shall have a minimum rating, at all times during the term of the Letter(s) of Credit, of Moody’s long-term rating of “A” and short-term rating of “P-1,” with the foregoing ratings to be evidenced by proof provided by the Letter of Credit Bank(s) to the District and the Fiscal Agent in writing.

“Mandatory Redemption Account” means the account of that name within the Redemption Fund established under, and held by the Fiscal Agent pursuant to, the terms of the Fiscal Agent Agreement.

“Mandatory Sinking Payments” means the amounts to be applied to the redemption of the Term Bond(s) in accordance with the schedule set forth in the Fiscal Agent Agreement and any subsequent schedule set forth in any Supplement.

“Maximum Annual Debt Service” means the maximum sum obtained for any remaining Bond Year prior to the final maturity on the Bonds by totaling the following for each Bond Year:

- (1) the principal amount of all Outstanding Series 2019 Special Tax Bonds payable in such Bond Year whether at maturity or by redemption, together with any applicable premium thereon, if any premium is payable; and

- (2) the interest payable on the aggregate principal amount of Series 2019 Special Tax Bonds Outstanding in such Bond Year assuming the Series 2019 Special Tax Bonds are retired as scheduled.

“Mitigation Agreement” means, collectively, that certain Agreement titled “School Facilities Funding and Mitigation Agreement among the School District, Community Facilities District No. 91-1 of the Moreno Valley Unified School District and Cactus Avenue Inv, LLC” dated March 10, 2015, and as such School Facilities Funding and Mitigation Agreement may be further amended or assigned (in full or in part) from time to time.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Net Taxes” means the amount of all Gross Taxes minus the Administrative Expense Requirement.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the provisions of the Fiscal Agent Agreement.

“Optional Redemption Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Ordinance” means Ordinance No. 2014-15-71 adopted by the Board, acting as the Legislative Body, on May 26, 2015.

“Outstanding” means all Series 2019 Special Tax Bonds theretofore issued by the District, except:

- (1) Series 2019 Special Tax Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;
- (2) Series 2019 Special Tax Bonds for the transfer or exchange of or in lieu of or in substitution for which other Series 2019 Special Tax Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the provisions of the Fiscal Agent Agreement; and
- (3) Series 2019 Special Tax Bonds paid and discharged pursuant to the provisions of the Fiscal Agent Agreement.

“Participating Underwriter” means the initial Underwriter of the Series 2019 Special Tax Bonds (Piper Jaffray & Co.).

“Person” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Prepaid Special Taxes” means all Special Taxes prepaid to the District pursuant to Resolution No. 2014-15-66 of the School District and the Rate and Method, during the term of the Fiscal Agent Agreement, less related applicable Administrative Expenses.

“Principal Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Principal Corporate Trust Office” means the corporate trust office of the Fiscal Agent, which, at the date of execution of the Fiscal Agent Agreement, is located at 633 West Fifth Street, 24<sup>th</sup> Floor, Los Angeles, CA 90071, or such other office(s) as the Fiscal Agent may designate from time to time; provided, however, that with respect to presentation of Series 2019 Special Tax Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

“Project” means the “Facilities,” or any portion thereof, as defined in the Resolution of Formation, and the Community Facilities District Report, dated April 14, 2015, to be designed, constructed, acquired, financed, installed or completed by the District, the School District, the Developer or EMWD, as applicable.

“Project Costs” means the costs of design, acquisition, construction and installation of the Project, including the School Facilities and the EMWD Facilities, and all costs related thereto. Project Costs may include the payment, or prepayment, of lease payments or installment payments necessary for the acquisition of all or part of the Project.

“Rate and Method” means the Rate and Method of Apportionment of Special Taxes of the District, as set forth in the Ordinance and as approved pursuant to the Act, and as such may be amended or interpreted from time to time.

“Rating Agencies” means Moody’s and/or S&P, as applicable.

“Rebate Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Record Date” means the 15th day of the calendar month preceding an Interest Payment Date whether or not such day is a Business Day.

“Redemption Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Regulations” means any temporary, proposed or final regulations of the United States Department of Treasury with respect to obligations issued pursuant to Section 103 and Sections 141 to 150 of the Code.

“Representation Letter” shall mean the Blanket Letter of Representations from the District to the Depository as described in the Fiscal Agent Agreement.

“Reserve Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the terms of the Fiscal Agent Agreement.

“Reserve Requirement” means, with respect to the Series 2019 Special Tax Bonds, an amount, as of any date of calculation, equal to the least of (i) 10% of the original principal amount of the Series 2019 Special Tax Bonds, less original issue discount, if any, plus original issue premium, if any, (ii) Maximum Annual Debt Service on the Series 2019 Special Tax Bonds, or (iii) 125% of average annual debt service on the Series 2019 Special Tax Bonds.

“Residual Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the terms of the Fiscal Agent Agreement.

“Resolution of Issuance” means Resolution No. 2018-19-58 of the District adopted by the Board, acting as the Legislative Body, dated February 12, 2019, authorizing the issuance of the Series 2019 Special Tax Bonds and approving the Fiscal Agent Agreement.

“Responsible Officer” of the Fiscal Agent means and includes the president, every senior vice president, every vice president, every assistant vice president, every trust officer or any other authorized officer of the Fiscal Agent at its Principal Corporate Trust Office.

“School District” means the Moreno Valley Unified School District.

“School Facilities” means facilities, projects and project costs for facilities to be owned and operated by the School District which are otherwise included under the definition of Project hereunder.

“School Facilities Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Securities Depository(ies)” means The Depository Trust Company (DTC) at its then-current address; and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the School District may designate in a certificate delivered to the Fiscal Agent.

“Sinking Fund Payment” means the annual sinking fund payment to be deposited in the Sinking Fund Redemption Account of the Redemption Fund to redeem a portion of the Term Bonds.

“Sinking Fund Redemption Account” means the account of that name established under, and held by the Fiscal Agent pursuant to, the terms of the Fiscal Agent Agreement.

“Special Tax Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to, the provisions of the Fiscal Agent Agreement.

“Special Taxes” means the Special Taxes levied within the District by the Legislative Body pursuant to the Act, the Rate and Method, the Resolution of Formation, the Ordinance, and the voter approvals obtained at the Election.



“Standard & Poor’s” or “S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the School District.

“State” means the State of California.

“Stated Amount(s)” means, during the time that a Cash Deposit(s) or Letter(s) of Credit is required in accordance with the requirement set forth in the Fiscal Agent Agreement as to the Series 2019 Special Tax Bonds, the estimated annual amount of Special Taxes to be levied in the current Fiscal Year on land in the District listed in the Fiscal Agent Agreement, assuming, for the purpose of the calculation of the Stated Amount and the determination of the estimated annual Special Taxes, that such land, if classified as Undeveloped Property, is classified as Developed Property(ies) under the Rate and Method and assigned to the Land Use Class such property was projected to be assigned to at the time of bond issuance, owned by any LC Developer. The initial Stated Amount(s) applicable to the property owned by each Developer is: \$262,730.52.

“Supplement” means any supplemental agreement amending or supplementing the Fiscal Agent Agreement.

“Tax Certificate” means the certificate of that name to be executed by an authorized representative of the District on the closing date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Term Bond(s)” means the Series 2019 Special Tax Bonds maturing September 1, 2022, September 1, 2024, September 1, 2026, September 1, 2028, September 1, 2044, and September 1, 2048.

“Underwriter” means the initial Underwriter of the Series 2019 Special Tax Bonds (Piper Jaffray & Co.).

“Undeveloped Property” shall have the same meaning set forth in the Rate and Method and set forth in the Ordinance.

“Yield” means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series 2019 Special Tax Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Series 2019 Special Tax Bonds, as the case may be, all computed as prescribed in the applicable Regulations.

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## **ISSUANCE OF THE SERIES 2019 SPECIAL TAX BONDS**

The Series 2019 Special Tax Bonds are issued pursuant to the Resolution of Issuance, the Act and the Fiscal Agent Agreement in the amounts and maturities set forth in the Fiscal Agent Agreement (see “INTRODUCTION,” “THE BONDS – General Provisions” and “ – Debt Service Schedule” in the Official Statement for further information).

### **Purpose of the Bonds**

The Series 2019 Special Tax Bonds are being issued, pursuant to the Act, to (i) finance School Facilities for the School District, and finance, directly or indirectly, the acquisition and construction of certain water and water/wastewater facilities (the EMWD Facilities) owned by EMWD, (ii) fund a Reserve Fund for the Series 2019 Special Tax Bonds, (iii) fund capitalized interest on the Series 2019 Special Tax Bonds for a period of time, and (iv) pay certain Costs of Issuance. See “INTRODUCTION – Purpose of the Bonds,” “ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICT – Description of Authorized Facilities” in the Official Statement for further information.

### **Limited Obligation**

The Series 2019 Special Tax Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and amounts in certain funds and accounts created pursuant to the Fiscal Agent Agreement as specified therein. The Net Taxes are pledged and set aside for the payment of the Series 2019 Special Tax Bonds pursuant to the terms of the Fiscal Agent Agreement.

The Series 2019 Special Tax Bonds and interest thereon are not payable from the general fund of the District or the School District. Except with respect to the Net Taxes, neither the credit nor the taxing power of the District or the School District is pledged for the payment of the Series 2019 Special Tax Bonds or interest thereon, and no Owner of the Series 2019 Special Tax Bonds may compel the exercise of the taxing power by the District (except with respect to the Net Taxes) or the School District or the forfeiture of any of their property. The principal of and interest on the Series 2019 Special Tax Bonds, and premiums, if any, upon the redemption of any thereof, are not a debt of the District or the School District, the State of California nor any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Series 2019 Special Tax Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the District or the School District, except the Net Taxes which are, under the terms of the Fiscal Agent Agreement, pledged and set aside for the payment of the Series 2019 Special Tax Bonds and interest thereon. Neither the members of the Legislative Body or the Board nor any Persons executing the Series 2019 Special Tax Bonds are personally liable on the Series 2019 Special Tax Bonds by reason of their issuance (see “INTRODUCTION,” “SOURCES OF PAYMENT FOR THE BONDS - Limited Obligations,” “SPECIAL RISK FACTORS – Limited Obligations” and “- Insufficiency of Special Taxes” in the Official Statement for further information).

### **Equality of Bonds, Pledge of Net Taxes.**

Pursuant to the Act and the Fiscal Agent Agreement, the Series 2019 Special Tax Bonds shall be equally payable from the Net Taxes without priority for number, date of the Series 2019 Special Tax Bonds, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Series 2019 Special Tax Bonds and any premiums upon the redemption thereof shall be exclusively paid from the Net Taxes and amounts held in certain funds and accounts created hereunder as specified hereinafter. All of the Net Taxes are hereby pledged and set aside for the payment of the Series 2019 Special Tax Bonds, and such Net Taxes and any interest earned on the Net Taxes shall constitute a trust fund for the payment of the interest on and principal of the Series 2019 Special Tax Bonds and so long as any of the Series 2019 Special Tax Bonds or interest thereon are unpaid, the Net Taxes and interest thereon shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement or any Supplement, and shall be held for the benefit of the Bondowners and shall be applied pursuant to the Fiscal Agent Agreement, or to the Fiscal Agent Agreement as modified pursuant to provisions herein. Notwithstanding any provision contained in the Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Administrative Expense Fund, the Residual Fund and the Rebate Fund shall no longer be considered to be pledged to the Series 2019 Special Tax Bonds and the Administrative Expense Fund, the Residual Fund and the Rebate Fund shall not be construed as trust funds held for the benefit of the Bondowners.

In the event that the Fiscal Agent lacks sufficient amounts to make timely payment of principal and interest and premium upon redemption, if any, on the Series 2019 Special Tax Bonds when due, such principal of and interest and premium on the Bonds shall be paid from available amounts held by the Fiscal Agent in the Special Tax Fund (and its accounts), Bond Fund, Reserve Fund or Redemption Fund under the Fiscal Agent Agreement (not including those amounts deposited in the Administrative Expense Fund, the Residual Fund and the Rebate Fund) in accordance with such terms without preference or priority of interest over principal or principal over interest, or of any installment of principal or interest over any other installment of principal or interest, ratably to the aggregate amount of such principal and interest (see “SOURCES OF PAYMENT FOR THE BONDS” in the Official Statement for further information).

Nothing in the Fiscal Agent Agreement, or any Supplement, shall preclude the redemption of any Series 2019 Special Tax Bonds subject to call and redemption prior to maturity and payment of the Series 2019 Special Tax Bonds from proceeds of refunding bonds issued under the Act, as the same now exists or is hereafter amended, or under any other law of the State.

### **Funds and Accounts**

The Fiscal Agent Agreement creates specified funds, accounts and subaccounts to be maintained by the Fiscal Agent for specified purposes:

Special Tax Fund - The Special Taxes (exclusive of Prepaid Special Taxes) and other amounts constituting Gross Taxes collected by the District shall be transferred no later than 10 days after receipt thereof, to the Fiscal Agent and shall be held in the Special Tax Fund for the benefit of the District and the Bondowners (exclusive of the Administrative Expense

Requirement) and shall be transferred from the Special Tax Fund in the following order of priority:

(a) To the Administrative Expense Fund, an amount equal to the Administrative Expense Requirement.

(b) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account two Business Days prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

(c) To the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Bonds during the current Bond Year (as further set out in the Fiscal Agent Agreement).

(d) To the Sinking Fund Redemption Account of the Redemption Fund an amount up to the amount needed to make the Mandatory Sinking Payments due on the Term Bonds, if any, during the current Bond Year.

(e) To the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement.

(f) To the extent that Administrative Expenses are not fully satisfied in (a) above, to the Administrative Expense Fund in the amount(s) required to bring the balance therein to the amount identified by the District to the Fiscal Agent to meet such additional Administrative Expenses (over and above the Administrative Expense Requirement) in the coming Fiscal Year, or Administrative Expenses from a prior Fiscal Year which remain unpaid.

(g) To the Optional Redemption Account of the Redemption Fund, the amount, if any, that the District directs the Fiscal Agent to deposit pursuant to the provisions of the Fiscal Agent Agreement.

(h) Any remaining Special Taxes and other amounts constituting Net Taxes shall remain in the Special Tax Fund subject to the provisions of (i), below.

(i) Any remaining Special Taxes and other amounts constituting Net Taxes, if any, shall remain in the Special Tax Fund until the end of the Bond Year. At the end of the Bond Year any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Series 2019 Special Tax Bonds (including payment of Mandatory Sinking Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (e), above, or to pay current or pending Administrative Expenses as provided for in (a) and (f), above, shall, without further action by any party, be transferred by the Fiscal Agent on September 2 of each such year into the Residual Fund, which funds shall thereafter be used in accordance with the Fiscal Agent Agreement and shall be free and clear of any lien thereon. The Fiscal Agent shall promptly confirm the amount of such transfer(s) in to Residual Fund in writing to the District. **Moneys deposited into, or held within, the Residual Fund are not pledged to the payment of principal, interest or premiums on the Series 2019 Special Tax Bonds.** Any funds which are required to cure any

such delinquency shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

At the date of the redemption, defeasance or maturity of the last Bond and after all principal and interest then due on any Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, moneys in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose. Funds in the Special Tax Fund shall be invested in accordance with the provisions of the Fiscal Agent Agreement. Investment earnings on amounts in the Special Tax Fund, if any, shall be retained therein (see “SOURCES OF PAYMENT FOR THE BONDS - Special Tax Fund” in the Official Statement for further information).

Prepayment Account of the Special Tax Fund. Prepaid Special Taxes collected by the District (net of any costs of collection) shall be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent; and the District shall direct the Fiscal Agent to deposit the Prepaid Special Taxes into the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes shall be held in the Prepayment Account for the benefit of the Series 2019 Special Tax Bonds and shall be transferred by the Fiscal Agent to the Mandatory Redemption Account of the Redemption Fund to call Series 2019 Special Tax Bonds on the next Interest Payment Date for which notice can be given in accordance with the special mandatory redemption provisions as set forth in the Fiscal Agent Agreement. The Prepaid Special Taxes shall be transferred to the Mandatory Redemption Account and applied to redeem Outstanding Series 2019 Special Tax Bonds on the basis set out in the Fiscal Agent Agreement. Moneys representing the Prepaid Special Taxes shall be invested in accordance with the terms of the Fiscal Agent Agreement. Investment earnings on amounts in the Prepayment Account not needed to redeem the Outstanding Series 2019 Special Tax Bonds pursuant to special mandatory redemption provisions of the Fiscal Agent Agreement shall be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Mandatory Redemption Account of the Redemption Fund. (see “THE BONDS – Redemption” in the Official Statement).

Administrative Expense Fund - Upon receipt of Gross Taxes the Fiscal Agent, upon direction of the District, shall transfer from the Special Tax Fund to the Administrative Expense Fund, from time to time, the Administrative Expense Requirement, and any amount(s) that the District has determined and of which the District has notified the Fiscal Agent of pursuant to the provisions of the Fiscal Agent Agreement. The Administrative Expense Requirement, and the deposit of funds into the Administrative Expense Fund, shall be subject to the provisions and restrictions set forth in the Fiscal Agent Agreement. Upon receipt of a duly executed payment request provided for under the provisions of the Fiscal Agent Agreement, the Fiscal Agent shall pay Administrative Expenses from amounts in the Administrative Expense Fund, directly to the contractor or such other Person, corporation or entity designated as the payee on such form, which payee may include the District, or School District, or shall reimburse the District, or School District, for Administrative Expenses paid by the District, or School District, as applicable, from such amounts. Moneys in the Administrative Expense Fund shall not be construed as a trust fund for the benefit of the Bondowners and are not pledged for payment of the principal of, or interest or premium on, the Bonds, and are not subject to any Bondowners’ lien (see “SOURCES OF PAYMENT FOR THE BONDS – Administrative Expense Fund” in the Official Statement).

Bond Fund - The Bond Fund (in which there is established an Interest Account and a Principal Account), is used to disperse payments of principal and interest to the Bondowners on each respective Interest Payment Date. Two Business Days prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund, or the Reserve Fund in the event that sufficient moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to one-half of the principal maturing on the next September 1 and all interest coming due and payable on the Bonds on the ensuing Interest Payment Date, as applicable, less amounts on hand in the Bond Fund available to pay principal at maturity and/or interest on such Bonds. Moneys in the Interest Account are allocated to the payment of interest due on the Bonds on each Interest Payment Date and moneys in the Principal Account are allocated to the repayment of principal on the Bonds on the corresponding Interest Payment Date (see “SOURCES OF PAYMENT FOR THE BONDS - Bond Fund” in the Official Statement for further information).

Funds deposited into the Capitalized Interest Subaccount of the Interest Account of the Bond Fund shall be withdrawn by the Fiscal Agent and deposited into the Interest Account of the Bond Fund in order to pay interest payments coming due on the Series 2019 Special Tax Bonds on certain Interest Payment Date(s) as set out in the Fiscal Agent Agreement. Upon the expenditure of all funds held in the Capitalized Interest Subaccount, the Fiscal Agent will close that Subaccount (see “ESTIMATED SOURCES AND USES OF FUNDS” in the Official Statement for further information).

Reserve Fund - There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the Series 2019 Special Tax Bonds, the Reserve Requirement for the Series 2019 Special Tax Bonds shall thereafter be determined by the District and communicated to the Fiscal Agent in writing and any funds in excess of such predetermined Reserve Requirement for the Series 2019 Special Tax Bonds shall be utilized as set forth in the Fiscal Agent Agreement.

Except as set out in the Fiscal Agent Agreement concerning certain investment earnings, moneys in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Interest Account and/or Principal Account of the Bond Fund or the Sinking Fund Redemption Account of the Redemption Fund to pay the principal of, and interest and premium, as applicable, on the Series 2019 Special Tax Bonds when due to the extent that moneys in the Interest Account and the Principal Account of the Bond Fund or Sinking Fund Redemption Account of the Redemption Fund are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the provisions of the Fiscal Agent Agreement upon written direction from the District; (iii) paying the principal and interest due on the Bonds in the final Bond Year; and (iv) application to the defeasance of such Series 2019 Special Tax Bonds in accordance with the terms of the Fiscal Agent Agreement. If the amounts in the Interest Account or the Principal Account of the Bond Fund or Sinking Fund Redemption Account of the Redemption Fund, as provided for in the Fiscal Agent Agreement, are insufficient to pay the principal of, or interest on the Series 2019 Special Tax Bonds when due, the Fiscal Agent shall, two Business Days prior to the corresponding Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and/or the Principal Account of the Bond Fund or Sinking Fund Redemption Account of the Redemption Fund, moneys necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund or Sinking Fund Redemption Account of the Redemption Fund, the Fiscal Agent shall notify the District of the amount needed

to replenish the Reserve Fund to the Reserve Requirement and the District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

Funds held in the Reserve Fund shall be invested in accordance with the terms of the Fiscal Agent Agreement. Any moneys in the Reserve Fund, if any, in excess of the corresponding Reserve Requirement shall be withdrawn by the Fiscal Agent two (2) Business Days prior to each Interest Payment Date and deposited into the Interest Account of the Bond Fund. The Fiscal Agent shall transfer to the Rebate Fund Excess Investment Earnings from the Reserve Fund earnings upon written direction of the District pursuant to the provisions of the Fiscal Agent Agreement.

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

(See “SOURCES OF PAYMENT FOR THE BONDS - Reserve Fund” in the Official Statement and “**Funds and Accounts** - Special Tax Fund” above for more information).

Redemption Fund - The Redemption Fund is established pursuant to the provisions of the Fiscal Agent Agreement and includes the Sinking Fund Redemption Account, an Optional Redemption Account (as and when necessary) and a Mandatory Redemption Account (as and when necessary). Each of the redemption accounts is used for the temporary retention of moneys allocated to the redemption of Series 2019 Special Tax Bonds corresponding to that account. Moneys in each such account shall be applied solely for such redemption purpose (see “THE BONDS - Redemption” in the Official Statement).

Construction Fund - The Fiscal Agent Agreement establishes the Construction Fund, in which there are established the School Facilities Account, the EMWD Facilities Account and the Costs of Issuance Account. Funds deposited in the Construction Fund, and the accounts, are not pledged to the payment of principal or interest on the Series 2019 Special Tax Bonds.

A portion of the proceeds of the Series 2019 Special Tax Bonds will be deposited in the School Facilities Account, the EMWD Facilities Account and into the Costs of Issuance Account (see “SOURCES OF PAYMENT FOR THE BONDS – Construction Fund” and “ESTIMATED SOURCES AND USES OF FUNDS” in the Official Statement for further information).

Moneys in the School Facilities Account, together with interest earnings thereon, will be utilized to pay for Project Costs relating to the acquisition and construction of School Facilities as set forth in the Fiscal Agent Agreement (see “INTRODUCTION - Purpose of the Bonds,” and “ESTIMATED SOURCES AND USES OF FUNDS” in the Official Statement for further information).

Moneys in the EMWD Facilities Account, together with interest earnings thereon, will be utilized to pay for Project Costs relating to the acquisition and construction of EMWD Facilities

as set forth in the Fiscal Agent Agreement (see “INTRODUCTION - Purpose of the Bonds,” and “ESTIMATED SOURCES AND USES OF FUNDS” in the Official Statement for further information).

Upon the Completion Date, funds held in the School Facilities Account and EMWD Facilities Account of the Construction Fund will be utilized as set out in the Fiscal Agent Agreement and such accounts shall thereafter be closed by the Fiscal Agent.

Moneys deposited into the Costs of Issuance Account will be expended at the direction of the District for payment of Costs of Issuance as further set forth in the Fiscal Agent Agreement.

Rebate Fund - The Fiscal Agent Agreement provides for the creation of the Rebate Fund when and as required to make arbitrage rebate payments as required under the terms of the Fiscal Agent Agreement and the Tax Certificate in order to comply with the requirements of the Code and the Regulations. Funds deposited into the Rebate Fund are not available to pay principal and interest on the Bonds.

Letter of Credit Fund - As a condition precedent to issuance of the Bonds, the District shall cause the Developer to provide one or more Letter(s) of Credit or Cash Deposit(s), as applicable, in the corresponding Stated Amount, naming the Fiscal Agent as beneficiary. The Fiscal Agent shall establish a separate account for any Letter(s) of Credit or Cash Deposit(s) provided by the Developer (or LC Developer, as the case may be). Any Letter(s) of Credit or Cash Deposit(s) provided by each Developer (or LC Developer as the case may be) shall secure payment only of Special Taxes levied on the Non-Homeowner Property in the District secured by such Letter(s) of Credit or Cash Deposit(s), as determined by reference to the terms of the Fiscal Agent Agreement. The initial Letter(s) of Credit or Cash Deposit(s) provided by each Developer secures the Special Taxes levied on Non-Homeowner Property as described in the Fiscal Agent Agreement.

Notwithstanding anything in the Fiscal Agent Agreement to the contrary, the following two conditions precedent (“Cash Deposit(s) Conditions”) apply to all instances where a Cash Deposit(s) will be provided by an LC Developer, whether in partial or total satisfaction of the requirements under the Fiscal Agent Agreement, and whether for replacement of a prior Letter of Credit(s). The Cash Deposit(s) Conditions, which must both be satisfied before the Cash Deposit(s) will be deemed to be in compliance with the requirements of the Fiscal Agent Agreement, are: (i) the satisfaction of the requirements of the Fiscal Agent Agreement with a Cash Deposit(s) in lieu of a Letter(s) of Credit must be affirmed by the Fiscal Agent’s receipt of the prior written approval of a District Representative, such approval to be at the sole discretion of the District; and (ii) the deposit of the Cash Deposit(s) with the Fiscal Agent by the applicable owner of the property under a lien by the Special Taxes secured by the Cash Deposit(s) for a period of not less than 91 days. The foregoing Cash Deposit(s) Conditions apply in every instance where a Cash Deposit(s) is being made by an LC Developer, whether such requirement is specifically stated in any of the references to “Cash Deposit(s)” in the Fiscal Agent Agreement or not.

A Letter(s) of Credit or Cash Deposit(s) shall be in effect until individual homeowners are record owners of 88 or more of the residential lots (“Parcels”) within the District. On or before each July 1, commencing July 1, 2019 (or, on a date at least 30 but not more than 45 days



prior to the expiration of any existing Letter(s) of Credit), the District shall determine the number of Parcels owned by individual homeowners in the District. If fewer than 88 of the Parcels within the District are owned by individual homeowners, the District shall certify to the Fiscal Agent: (A) the number of such Parcels owned by individual homeowners within the District and the number of such Parcels owned by each LC Developer, and (B) the Stated Amount of the corresponding Letter(s) of Credit or Cash Deposit(s) required to be in effect for each LC Developer.

In the event fewer than 88 of the Parcels within the District are owned by individual homeowners with record title as of such July 1 (or as of a date at least 30 but not more than 45 days prior to the expiration of any existing Letter(s) of Credit), then each LC Developer shall provide to the Fiscal Agent, no later than the following August 1 (or a date 15 days prior to the expiration date of any existing Letter(s) of Credit), (i) an irrevocable Letter(s) of Credit in the revised Stated Amount, (ii) an extension of any existing Letter(s) of Credit in an amount equal to the revised Stated Amount, (iii) a Cash Deposit(s) satisfying the Cash Deposit(s) Conditions in the amount of the revised Stated Amount (subject to the conditions stated above), or (iv) some combination of a Cash Deposit(s) satisfying the Cash Deposit(s) Conditions and a Letter(s) of Credit equaling the revised Stated Amount (for each LC Developer, the “Revised Letter(s) of Credit/Cash Deposit(s)”).

If a Letter of Credit is currently in place for an LC Developer, and if such LC Developer is required to post a Revised Letter(s) of Credit/Cash Deposit(s), and in the event the Fiscal Agent has not received the required Revised Letter(s) of Credit/Cash Deposit(s) that satisfies the Cash Deposit Conditions by the applicable LC Developer by said August 1 (or a date 15 days prior to the applicable expiration date of the Letter(s) of Credit), the Fiscal Agent shall immediately notify the District thereof, and upon the written direction of an Authorized Representative, immediately, with no further authorization or instruction, draw upon the Letter(s) of Credit that is not being replaced with the Revised Letter(s) of Credit/Cash Deposit(s) in the full Stated Amount. The Fiscal Agent shall deposit the proceeds of such draw into the corresponding account of the Letter of Credit Fund for use as described below.

If a Cash Deposit is currently in place for an LC Developer, and if such LC Developer is required to post a Revised Letter(s) of Credit/Cash Deposit(s), and in the event the Fiscal Agent does not receive the required Revised Letter(s) of Credit/Cash Deposit(s) by an LC Developer by such August 1 (or a date 15 days prior to the applicable expiration date of the Letter(s) of Credit), the District shall not return any Cash Deposit(s) to the applicable LC Developer until the amount on deposit in the Letter of Credit Fund for such LC Developer is equal to the Revised Letter(s) of Credit/Cash Deposit(s) and in the case of a Cash Deposit(s), the Cash Deposit Conditions are satisfied.

If the recalculation of the Stated Amount for any Letter (s) of Credit or Cash Deposit(s) determines that the recalculated Stated Amount is less than the amount theretofore in effect, and all other conditions have been satisfied as stated in the Fiscal Agent Agreement, then the District shall direct the Fiscal Agent to execute and deliver the appropriate annex to the applicable Letter(s) of Credit that will cause a reduction in the Stated Amount of such Letter(s) of Credit, and/or refund to the applicable LC Developer a portion of a Cash Deposit(s) so the Cash Deposit(s) equals the revised Stated Amount, as applicable.

When renewing or extending a Letter(s) of Credit, which shall be for a term no less than 12 months, each LC Developer shall request that the District calculate the amount (the applicable Stated Amount) of the Letter(s) of Credit for the proposed term of the renewed or extended Letter(s) of Credit, which calculation shall include amounts to cover applicable Special Tax projections for the applicable Fiscal Year(s).

If the District determines at any time that 88 or more of the Parcels within the District are owned by individual homeowners, then it shall so certify in writing to the Fiscal Agent and direct the Fiscal Agent to release the Letter(s) of Credit or Cash Deposit(s) to the corresponding Letter of Credit Bank(s) or the applicable LC Developer, as the case may be.

Upon the release of each such Letter(s) of Credit or Cash Deposit(s) pursuant to the terms hereof and thereof, and upon the expenditure, pursuant to the terms hereof, of all funds from the corresponding account in the Letter of Credit Fund, the Fiscal Agent shall notify the District of such condition, and/or the Fiscal Agent shall close the respective account, and, as applicable, the Letter of Credit Fund.

If at any time, a Developer (“Land Seller”) sells Parcels to another merchant builder (each a “Land Purchaser”), the Land Purchaser shall provide a Letter(s) of Credit or Cash Deposit(s), which shall meet the Cash Deposit Conditions, or a combination thereof, in the Stated Amount applicable to the Parcels purchased by the Land Purchaser. Upon the provision of the Cash Deposit(s) or the Letter(s) of Credit by the Land Purchaser, and provided the Cash Deposit(s) Conditions are met if applicable, the District shall (i) direct the Fiscal Agent to execute and deliver the appropriate annex to the existing Letter(s) of Credit that will cause a reduction in the Stated Amount of the Land Seller’s Letter(s) of Credit by the amount of the Land Purchaser’s Letter(s) of Credit or Cash Deposit(s) and/or refund to the applicable Developer an amount of any Cash Deposit(s) equal to the amount of the Land Purchaser’s Letter(s) of Credit or Cash Deposit(s); and (ii) amend the Exhibit of the Fiscal Agent Agreement to reflect the addition of Letter(s) of Credit or Cash Deposit(s) of the Land Purchaser securing the purchased Parcels and the elimination of the purchased Parcels from the security of the Land Seller’s Letter(s) of Credit or Cash Deposit(s). All Parcels sold to individual homeowners of record shall be removed from the listing contained in the Fiscal Agent Agreement and shall no longer be secured by any Letter of Credit or Cash Deposit. All of the terms of the Fiscal Agent Agreement regarding the Letter of Credit Fund, except those set forth in this paragraph, shall apply to the Letter(s) of Credit and Cash Deposit(s) provided by a Land Purchaser. If, for any reason, the Land Purchaser does not post the appropriate Letter(s) of Credit or Cash Deposit(s) for the Parcels acquired as required, the Letter(s) of Credit or Cash Deposit(s) of the Land Seller securing the Parcels acquired shall continue to secure the Parcels acquired until such time as the Land Purchaser posts the appropriate Letter(s) of Credit or the Cash Deposit(s) satisfy the Cash Deposit(s) Conditions. Any Letter(s) of Credit or Cash Deposit(s) provided by a Land Purchaser shall secure payment only of Special Taxes levied on the Non-Homeowner Property in the District secured by such Letter(s) of Credit or Cash Deposit(s), as determined by reference to the listing contained in the Fiscal Agent Agreement. The provisions of the Fiscal Agent Agreement set forth in this paragraph shall also apply to any sale of Parcels from the Land Purchaser to another land purchaser that is not an individual homeowner.

Deposits into the Letter of Credit Fund; Transfers from the Letter of Credit Fund; Final Release. Five Business Days prior to each Interest Payment Date, the Fiscal Agent shall

determine whether amounts on deposit in the Special Tax Fund, after deducting Administrative Expenses authorized to be transferred to the Administrative Expense Fund, and the Bond Fund on that Interest Payment Date, will be sufficient to pay principal of and interest on the Bonds that will be due and payable on such Interest Payment Date and shall notify the District of any deficiency. If amounts in the Special Tax Fund and the Bond Fund will be insufficient to pay principal of and interest on the Bonds, the Fiscal Agent shall immediately notify the District, in writing, of such deficiency, and if such insufficiency is attributable to a delinquency in the payment of Special Taxes for Non-Homeowner Property secured by an LC Developer's Letter(s) of Credit or Cash Deposit(s), as determined by the District by reference to the listing contained in the Fiscal Agent Agreement, upon the written direction of a District Representative (and prior to any withdrawals from the Reserve Fund permitted under the terms of the Fiscal Agent Agreement), the Fiscal Agent shall draw upon the applicable Letter(s) of Credit or Cash Deposit(s); provided, however, that only the Letter(s) of Credit or Cash Deposit(s) which secure the delinquent Non-Homeowner Property (as determined by reference to the listing contained in the Fiscal Agent Agreement) may be drawn upon, and the amount of such draw (as set forth in said written direction of the Authorized Representative) shall be no greater than the amount of the delinquent Special Taxes levied on the Non-Homeowner Property secured by the applicable LC Developer's Letter(s) of Credit or Cash Deposit(s) as shown on the listing contained in the Fiscal Agent Agreement. The Letter(s) of Credit or Cash Deposit(s) may not be drawn upon for the delinquency of any Parcels owned by individual homeowners.

The Fiscal Agent shall deposit the proceeds of any such draw upon a Letter(s) of Credit or Cash Deposit(s) into the corresponding account of the Letter of Credit Fund one Business Day prior to the Interest Payment Date, and prior to any transfers from the Reserve Fund, transfer such amounts from the account of the Letter of Credit Fund to the corresponding Account(s) of the Bond Fund to the extent necessary to pay principal and interest on the Series 2019 Special Tax Bonds due to the LC Developer's delinquency in payment of Special Taxes.

The District shall have no obligation to reimburse the Letter of Credit Bank(s) for any such draw on any Letter(s) of Credit, or, as applicable, each LC Developer for any Cash Deposit(s), except from: (i) any proceeds of the draw on any Letter(s) of Credit and any interest earnings thereon not required to pay debt service on the Bonds on such Interest Payment Date, which proceeds of any Letter(s) of Credit provided by an LC Developer shall be paid only to such LC Developer; and (ii) delinquent Special Taxes subsequently received by the District (whether by payment or foreclosure) corresponding to the delinquent Non-Homeowner Property, which delinquent Special Taxes paid for such delinquent Non-Homeowner Property secured by an LC Developer's Letter(s) of Credit or Cash Deposit(s) shall be paid to the applicable LC Developer's Letter of Credit Bank (or its designee) or, in the case of a Cash Deposit that was drawn upon, deposited back into the applicable account of the Letter of Credit Fund. Draws upon any Letter(s) of Credit or Cash Deposit(s), as the case may be, shall not bar or otherwise preclude the District from taking any actions or enforcing any remedies, including but not limited to foreclosure actions, against the corresponding property within the District for satisfaction of unpaid Special Taxes.

In the event the Fiscal Agent draws upon a Letter(s) of Credit or Cash Deposit(s), as the case may be, as described above, the Fiscal Agent shall immediately deposit the proceeds of such draw into the corresponding account (if any) of the Letter of Credit Fund and, pending any transfer to the Bond Fund for the purposes described in the Fiscal Agent Agreement, such proceeds shall be invested and reinvested by the Fiscal Agent in Authorized Investments at the written instruction of a District Representative. At no time shall the proceeds of a draw on any Letter(s) of Credit or Cash Deposit(s), as the case may be, held in the accounts of the Letter of Credit Fund be invested by the Fiscal Agent at a yield exceeding the Yield on the Bonds. Investment earnings and profits from such investments shall be retained in the corresponding account(s) of the Letter of Credit Fund.

In the event that an LC Developer provides a Cash Deposit in lieu of a Letter(s) of Credit, such monies shall be deposited into the corresponding account of the Letter of Credit Fund and invested by the Fiscal Agent at the direction of the District in Authorized Investments at a rate not in excess of the Yield on the Bonds. On or after July 1 of each year, commencing July 1, 2019, any earnings on monies held in an account of the Letter of Credit Fund in excess of the corresponding Stated Amount shall, upon the written request of the applicable LC Developer, approved in writing by the District, be mailed by the Fiscal Agent by check to such LC Developer provided that (i) such earnings are not required to pay principal or interest on the Bonds on the following Interest Payment Date as a result of delinquencies in the payment of Special Taxes on Non-Homeowner Property secured by the applicable LC Developer's Letter(s) of Credit or Cash Deposit(s) and (ii) the District confirms that there are no delinquent Special Taxes on Non-Homeowner Property secured by the applicable LC Developer's Letter(s) of Credit or Cash Deposit(s) then payable.

If at any time an Authorized Representative provides written certification to the Fiscal Agent that (i) 88 or more of the Parcels within the District are owned by individual homeowners with record title, (ii) such monies are not required to pay principal of, or interest on, the Bonds on the following Interest Payment Date as a result of delinquencies in the payment of Special Taxes for the Non-Homeowner Property secured by a LC Developer's Letter(s) of Credit or Cash Deposit(s), and (iii) all the Special Taxes then payable on the Non-Homeowner Property secured by such LC Developer's Letter(s) of Credit or Cash Deposit(s) are not delinquent, then the District shall provide written direction to the Fiscal Agent, and the Fiscal Agent shall promptly return all (or such portion of the) amounts on deposit in the Letter of Credit Fund to applicable LC Developer, or Letter of Credit Bank(s), as the case may be. The delinquency on Non-Homeowner Property secured by Letter(s) of Credit or Cash Deposit(s) of a LC Developer shall not prevent the release of amounts on deposit for Non-Homeowner Property secured by other LC Developer's Letter(s) of Credit or Cash Deposit(s), provided that the delinquent Non-Homeowner Property is not owned by the LC Developer posting the other Letter(s) of Credit or Cash Deposit(s) securing such amounts to be otherwise released.

In the event any Letter of Credit Bank(s) wrongfully refuses to honor any drawing made on any Letter(s) of Credit, the District, on behalf of the Owners of the Bonds, shall immediately bring an action and pursue any remedy available at law or in equity for the purpose of compelling the corresponding Letter of Credit Bank(s) to honor such drawing and to enforce the provisions of the corresponding Letter(s) of Credit; provided, however, that the foregoing shall not be construed to require the District to expend any funds other than monies in the Administrative Expense Fund available for such purposes.

In the event either party proposes to revise, amend, or otherwise change any term of the Fiscal Agent Agreement concerning the Letter of Credit Fund that could adversely affect each Developer's obligations under the Fiscal Agent Agreement, the District shall obtain each Developer's prior written consent prior to such change, which consent shall not be unreasonably withheld. See "INTRODUCTION – Sources of Payment for the Bonds" and "SOURCES OF PAYMENT FOR THE BONDS – Letter of Credit Fund" in the Official Statement.

Residual Fund - The Residual Fund shall be funded from remaining Special Taxes transferred to the Residual Fund from the Special Tax Fund pursuant to the provisions of the Fiscal Agent Agreement.

Moneys held in the Residual Fund, if any, may, at the option of the District, be used by the District for (i) acquisition and/or construction of the facilities as authorized by the Resolution of Formation; (ii) to make deposits for related purposes as required under the Tax Certificate provided by the District in connection with the issuance, sale and delivery of the Series 2019 Special Tax Bonds for the purposes of paying Excess Investment Earnings as and when such is due in accordance with such Tax Certificate, the Code and the Regulations; (iii) to pay Administrative Expenses; (iv) at the option of the District, for optional redemption of the then-outstanding Series 2019 Special Tax Bonds under the provisions of the Fiscal Agent Agreement; or (v) any lawful purpose(s) of such funds as set out in the Act. Amounts on deposit in the Residual Fund, including any and all accounts therein, if any, and interest earned thereon, are not pledged to the payment of principal or interest on the Bonds and such Fund is not a trust fund held for the benefit of the Bondowners.

Investment Earnings - Investment earnings on funds held in the Reserve Fund, if any, in excess of the Reserve Requirement shall be transferred to the Interest Account of the Bond Fund on a semi-annual basis as further described in the Fiscal Agent Agreement. Interest income on other funds and accounts as set out in the Fiscal Agent Agreement will be retained in the account or fund in which it is earned and shall be applied for the purpose for which such account or fund was established except as otherwise specified in the Fiscal Agent Agreement. The Fiscal Agent is required to invest and reinvest all moneys held the accounts and funds established under the Fiscal Agent Agreement (in accordance with written directives from a representative of the District) in Authorized Investments and as specified in the Fiscal Agent Agreement (see "SOURCES OF PAYMENT FOR THE BONDS – Investment of Moneys in Funds" in the Official Statement for further information).

### **Redemption**

The Series 2019 Special Tax Bonds may be redeemed prior to maturity, in whole or in part, at the option of the District on the terms set out in the Fiscal Agent Agreement. The Series 2019 Special Tax Bonds which are Term Bonds shall be redeemed as set out in the Fiscal Agent Agreement. The Series 2019 Special Tax Bonds are subject to redemption prior to maturity from prepayments of Special Taxes as set out in the Fiscal Agent Agreement. (See "THE BONDS - Redemption" in the Official Statement for further information).

The Fiscal Agent shall select the Series 2019 Special Tax Bonds subject to redemption in accordance with the terms set out in the Fiscal Agent Agreement (see "THE BONDS - Redemption" in the Official Statement for further information).

## Covenants

So long as any of the Series 2019 Special Tax Bonds issued hereunder are Outstanding and unpaid, the District has made the following covenants with the Owners, under the provisions of the Act and the Fiscal Agent Agreement and all Supplements (to be performed by the District or its authorized officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Series 2019 Special Tax Bonds; provided, however, that such covenants do not require the District to expend any funds or moneys other than the Net Taxes or any moneys deposited in the funds and accounts created under the terms of the Fiscal Agent Agreement and legally available therefor.

Covenant 1. Punctual Payment. The District will duly and punctually pay, or cause to be paid, the principal of and interest on every Series 2019 Special Tax Bond issued hereunder, together with the premium thereon, if any be payable, on the date, at the place and in the manner mentioned in the Series 2019 Special Tax Bonds and in accordance with the Fiscal Agent Agreement and any Supplement to the extent Net Taxes are available therefor, and that the payments into the Bond Fund and the Reserve Fund will be made, all in strict conformity with the terms of the Series 2019 Special Tax Bonds and the Fiscal Agent Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and any Supplement and of the Series 2019 Special Tax Bonds issued hereunder, and that time of such payment and performance is of the essence of the District's contract with the Bondowners.

Covenant 2. Levy and Collection of Special Taxes. Subject to the maximum Special Tax rates, the District will comply with all requirements of the Act so as to assure the timely collection of the Special Taxes, including, without limitation, the enforcement of delinquent Special Taxes.

On or before each June 1, commencing June 1, 2019, the Fiscal Agent shall provide a written notice to the District stating the amounts then on deposit in the various funds and accounts established by the Fiscal Agent Agreement (which notice may be satisfied through periodic statements provided to the District). The receipt of such notice by the District shall in no way affect the obligations of the District under the following paragraphs. Upon receipt of a copy of such notice, the District shall communicate with the Riverside County Auditor-Controller or other appropriate official of the County of Riverside to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then-current year.

The District shall retain an Independent Financial Consultant to assist in the levy of the Special Taxes each Fiscal Year, in accordance with the Ordinances, such that the computation of the levy is complete before the final date on which the Riverside County Treasurer-Tax Collector will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, and approval by the Legislative Body, the District shall prepare or cause to be prepared, and shall transmit to the Riverside County Treasurer/Tax Collector, such data as the Riverside County Treasurer/Tax Collector requires to include the levy of the Special Taxes on the next secured tax roll.

Subject to the maximum authorized Special Tax rates, the District shall fix and levy the amount of Special Taxes within the District to provide, at a minimum, for amounts required for the payment of principal of and interest on Outstanding Bonds becoming due and payable during the ensuing year including any necessary replenishment or expenditure of the Reserve Fund for the Bonds, an amount equal to the Administrative Expense Requirement and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes.

Notwithstanding the provisions of such Covenant 2, or elsewhere in the Fiscal Agent Agreement, the District reserves the right under the terms of the Fiscal Agent Agreement to levy the Special Taxes at a rate below the Maximum Annual Special Tax rate (as defined in the Rate and Method) within a given Fiscal Year so long as the minimum Special Taxes to be collected in such Fiscal Year shall conform to the requirements set out in Covenant 5, which shall be certified to, in writing, by an Independent Financial Consultant (see “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes” and “THE COMMUNITY FACILITIES DISTRICT” in the Official Statement for further information.)

The Special Taxes shall be payable and collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property; provided, the Legislative Body may provide for direct collection of the Special Taxes in certain circumstances.

In order to determine if there are delinquencies with respect to the payment of the Special Taxes, no later than March 1 and August 1 in every year (“reconciliation date”) commencing August 1, 2019, the District shall reconcile or cause to be reconciled the amount of Special Taxes levied to the amount of Special Taxes theretofore reported by the County as paid and received. No later than 45 days after the reconciliation date, commencing on the first reconciliation date in 2019 (August 1), the District shall send or cause to be sent a notice of delinquency to all property owners reported to be delinquent in the payment of the Special Taxes as of the reconciliation date.

The fees and expenses of the Independent Financial Consultant retained by the District to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received, as well as the costs and expenses of the District (including a charge for District staff time) in conducting its duties hereunder, shall be an Administrative Expense hereunder.

(See “THE BONDS – General Provisions,” “SPECIAL RISK FACTORS – Insufficiency of Special Taxes” and “- Special Tax Delinquencies” in the Official Statement for further information.)

Covenant 3. Foreclosure Proceedings. On or about March 1 and August 1 of each Fiscal Year, the District will compare the amount of Special Taxes theretofore levied in the District to the amount of Special Taxes theretofore received by the District, and:

(A) Individual Delinquencies. If the District determines that any single parcel within the District is delinquent in the payment of five (5) or more installments of the Special Taxes, then the District shall send, or cause to be sent, a notice of delinquency (and a demand for immediate payment thereof) to the property owner within forty-five (45) days of such determination, and (if the delinquency remains uncured) the District shall take action to authorize the commencement of foreclosure proceedings within ninety (90) days of the August 1 determination, to the extent permissible under applicable law, and shall thereafter diligently prosecute such proceedings in superior court to the extent permitted under applicable law.

(B) Aggregate Delinquencies. If the District determines that the total amount of delinquent Special Taxes for the prior Fiscal Year for the District (including the total of delinquencies under paragraph (A) above) exceeds five percent (5%) of the total Special Taxes due and payable for the prior Fiscal Year, the District shall notify, or cause to be notified, all property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within forty-five (45) days of such determination, and (to the extent such delinquencies remain uncured) the District shall take action to authorize the commencement of foreclosure proceedings within ninety (90) days of such August 1 determination against each parcel of land within the District with a Special Tax delinquency to the extent permissible under applicable law.

(C) Limiting Provision. Notwithstanding the foregoing, however, the District shall not be required to order, or take action upon, the commencement of foreclosure proceedings under subsection (A) and/or (B) above, if (i) such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement and (ii) no draw has been made on the Reserve Fund, which has not been restored or repaid, such that the Reserve Fund shall be funded to at least the Reserve Requirement.

(D) Additional Limitations. Notwithstanding any of the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel in relation to the cost of appropriate foreclosure proceedings may be such that the costs do not warrant the foreclosure proceedings costs. In such cases, foreclosure proceedings may be delayed by the District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost.

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a property owner's failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Series 2019 Special Tax Bonds under the Fiscal Agent Agreement.

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



District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary. The Bondowners, by their acceptance of the Series 2019 Special Tax Bonds, hereby consent to such payment for such lesser amounts.

Further, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary, in connection with any judicial foreclosure proceeding related to delinquent Special Taxes:

(i) The District is hereby expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act, or such lesser amount as determined under clause (ii) below or otherwise under Section 53356.6 of the Act.

(ii) 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 Act, if it determines that such sale is in the interest of the Bondowners. **The Bondowners, by their acceptance of the Series 2019 Special Tax Bonds, hereby consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and hereby release the District and the School District, and their respective officers and agents, from any liability in connection therewith.** If such sale for lesser amounts would result in less than full payment of principal of and interest on the Series 2019 Special Tax Bonds, the District will use its best efforts to seek approval of the Bondowners.

The Board has specifically delegated to the School District's Chief Business Official, or such officer's designee(s), all necessary authority in order to:

(a) pursue collection of all such Special Taxes pursuant to the provisions of such Covenant 3 and the terms and conditions of the Fiscal Agent Agreement;

(b) contract for such services as necessary for collection of such Special Taxes, including, but not limited to, legal services for any applicable foreclosure proceedings, the cost thereof to be borne by the District (subject to Board ratification of any expenditures which are not drawn from the Administrative Expense Fund) and the property owners that have failed to timely pay such Special Taxes, including all costs, interest, and penalties consistent with applicable law;

(c) file, or authorize to be filed, actions up to and including legal action(s) necessary to collect any delinquent Special Taxes including foreclosure of any lien securing such Special Taxes;

(d) that as provided by the Act, authorize the payment of the costs and attorneys' fees for prosecution of such litigation as is authorized on behalf of the District on redemption prior to entry of judgment as well as on post-judgment redemption, and the District hereby authorizes such counsel retained by the District to require payment on the District's behalf of all costs and all attorneys' fees incurred in applicable litigation as a condition of such redemption; and/or

(e) in conjunction with counsel retained by the District, and other District consultants, authorize, pursuant to Government Code Section 53356.2: (i) the recording of notices of intent to remove the delinquent Special Taxes from the tax rolls, and (ii) requests that the applicable County officials remove current and future delinquent Special Taxes from the tax rolls.

All actions undertaken by the Chief Business Official pursuant to the provisions of such Covenant shall be reported to the Board on a regular basis and are subject to the authority of the Board to subsequently direct different or alternative action(s) in such regard.

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

(See "SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Foreclosure Sales" and "SPECIAL RISK FACTORS" in the Official Statement for further information.)

Covenant 4. Against Encumbrances. The District will not encumber, pledge or place any charge or lien upon any of the Net Taxes or other amounts pledged to the Bonds superior to, or on a parity with, the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement and as to bonds issued to fully or partially refund the Bonds.

Covenant 5. Modification of Maximum Authorized Special Tax. The District covenants that no modification of the maximum authorized Special Taxes within the District shall be approved by the District which would prohibit the District from levying the Special Tax within the District in any Fiscal Year at such a rate as could generate Special Taxes within the District in each Fiscal Year at least equal to 110% of Annual Debt Service plus estimated annual Administrative Expenses.

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

Covenant 6. Protection of Security and Rights of Owners. The District will preserve and protect the security of the District and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all Persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Covenant 7. Compliance with Law, Completion of Project. The District will comply with all applicable provisions of the Act and law in completing the acquisition and construction of the Project; provided, that the District shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefore in the School Facilities Account of the Construction Fund.

Covenant 8. Books and Accounts. The District will keep, or cause to be kept, proper books of records and accounts, separate from all other records and accounts of the Series 2019 Special Tax Bonds, in which complete and correct entries shall be made of all transactions relating to the Series 2019 Special Tax Bonds and the Project, the levy of the Special Tax within the District and the deposits to the Special Tax Fund including the Prepayment Account. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) of the principal amount of the Series 2019 Special Tax Bonds then Outstanding or their representatives authorized in writing.

Covenant 9. Tax Covenant. The District hereby covenants and represents that until the last Bonds shall have been fully paid or redeemed, the District will comply with all requirements of the Tax Certificate, the Code and all applicable Regulations, such that the interest on the Series 2019 Special Tax Bonds will remain excluded from gross income for federal income tax purposes.

Covenant 10. Additional Tax Covenants. Covenant 10, as fully set forth in the Fiscal Agent Agreement, provides for additional covenants of the District in order to preserve and protect the tax-exempt status of the Series 2019 Special Tax Bonds.

Covenant 11. 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 obligations and covenants under the Fiscal Agent Agreement and any Supplement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement and in any Supplement.

Covenant 12. Additional Opinion(s). The District will not make any change in requirements or procedures or take any action, as to which change or action the Fiscal Agent Agreement or related documents require an opinion of nationally recognized Bond Counsel, unless it obtains an opinion of Bond Counsel to the effect that (a) interest on the Series 2019 Special Tax Bonds was excluded from gross income for federal income tax purposes from their date of issuance until the date of such change, assuming compliance with the covenants in the Fiscal Agent Agreement as they were in effect prior to the change (except that such opinion need not be given as to any interest for which a similar opinion has previously been given and remains in effect subsequent to such change), and (b) assuming continued compliance by the District with the covenants as changed, interest on the Series 2019 Special Tax Bonds is excluded from gross income for purposes of federal income taxation.

Covenant 13. Tender of Series 2019 Special Tax Bonds. The District will not, in collecting the Special Taxes within the District or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.5 of the California Government Code in any manner which would be inconsistent with the interests of the Owners and, in particular, will not permit the tender of Series 2019 Special Tax Bonds in full or partial payment of Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Series 2019 Special Tax Bonds remaining Outstanding following such tender.

Covenant 14. Additional Special Tax Bonds or Obligations. The District shall not issue any additional bonds, notes or other similar evidences of indebtedness payable, in whole or in part, out of Net Taxes except: (i) bonds issued to fully or partially refund the Outstanding Series 2019 Special Tax Bonds; and (ii) subordinate bonds, notes or other similar evidences of indebtedness.

(See “SOURCES OF PAYMENT FOR THE BONDS – Issuance of Parity Bonds” in the Official Statement).

Covenant 15. Annual Reports.

(a) Annual Reports to the California Debt and Investment Advisory Commission. Not later than October 30 of each year, commencing October 30, 2019, and until the October 30 following the final maturity of the Bonds, the District shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 53359.5(b) of the Act, as it may be amended from time to time. Such information shall be made available to any Owner upon written request to the District accompanied by a fee determined by the District to pay the costs of the District in connection therewith. The District shall in no event be liable to any Owner or any other Person or entity in connection with any error in any such information.

(b) If at any time the Fiscal Agent fails to pay principal or interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal or interest on the Bonds, such that the amount(s) in the Reserve Fund are reduced below the Reserve Requirement, the Fiscal Agent shall notify the District in writing of such failure or withdrawal, and the District shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within 10 days of the failure to make such payment or the date of such withdrawal.

(c) The reporting requirements of such Covenant 15 shall be amended from time to time, without action by the District or the Fiscal Agent to reflect any future amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. The District shall provide the Fiscal Agent with a copy of any such amendment. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the District’s obligations under any continuing disclosure documentation relating to the Bonds.

(d) The District shall cause annual reports to be filed in conformance with the requirements of California Government Code Section 8855(k).

(e) None of the District, its officers, agents, employees or Authorized Representatives, or the Fiscal Agent, shall be liable to any Person or party for any inadvertent error in reporting the information contained in such Covenant 15.

Continuing Disclosure Covenant. The District has covenanted and agreed in the Fiscal Agent Agreement that it will comply with and carry out all of its obligations under the District Continuing Disclosure Agreement. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the District to comply with its obligations under the District Continuing Disclosure Agreement shall not be considered an event of default under the terms of the Fiscal

Agent Agreement, and the sole remedy, in the event of any failure of the District to comply with the District Continuing Disclosure Agreement, shall be an action to compel performance thereof. The Fiscal Agent may (and, at the request of the Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2019 Special Tax Bonds, shall upon the receipt of indemnity for its fees and costs), or any Bondowner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Continuing Disclosure Covenant set forth in the Fiscal Agent Agreement. For purposes of such covenant of the Fiscal Agent Agreement, “Beneficial Owners” means any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2019 Special Tax Bonds (including Persons holding Series 2019 Special Tax Bonds through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Series 2019 Special Tax Bonds for federal income tax purposes (see “CONTINUING DISCLOSURE” in the Official Statement for further information).

### **Amendments to Fiscal Agent Agreement**

The District may from time to time, and at any time, without notice to, or consent of, any of the Owners, adopt Supplements hereto for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or therein, or to make any other provision with respect to matters or questions arising under the Fiscal Agent Agreement, or in any Supplement, provided that such action shall not have a material adverse effect on the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Fiscal Agent Agreement which are not contrary to or inconsistent with the Fiscal Agent Agreement as theretofore in effect; and/or

(c) to modify, alter, amend or supplement the Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners, including, but not limited to, providing for the rating (if any) or insuring (if any) of the Series 2019 Special Tax Bonds.

Notwithstanding the foregoing, at any time that there is only one registered Owner of all of the Outstanding Series 2019 Special Tax Bonds, any amendment to this Agreement shall require the prior written consent of the Bondowner, such consent to not be unreasonably withheld or delayed.

Exclusive of amendments supplemental hereto covered by (a), above, the Owners of not less than 60% in aggregate principal amount of the Series 2019 Special Tax Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such amendments or orders supplemental hereto as shall be 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 Fiscal Agent Agreement; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Series 2019 Special Tax Bonds, (b) a reduction in the principal amount of, or redemption premium on, any Series 2019

Special Tax Bonds or the rate of interest thereon, (c) a preference or priority of any Series 2019 Special Tax Bonds over any other Series 2019 Special Tax Bonds, or (d) a reduction in the aggregate principal amount of the Series 2019 Special Tax Bonds the Owners of which are required to consent to such Supplement, without, in the case of (a) or (b), the consent of the affected Owner, or, in the case of (c) or (d), the consent of the Owners of all Series 2019 Special Tax Bonds then Outstanding.

Supplements Requiring Owner Consent. If at any time the District shall desire to adopt a Supplement hereto which, pursuant to the terms of the Fiscal Agent Agreement, shall require the consent of the Owners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplement to be mailed, postage prepaid, to all Owners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the Principal Corporate Trust Office for inspection by all Owners. The failure of any Owner to receive such notice shall not affect the validity of such Supplement when consented to and approved as provided in the Fiscal Agent Agreement. Whenever at any time within one year after the date of the first mailing of such notice the Fiscal Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Series 2019 Special Tax Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplement described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy thereof referred to in such notice as on file with the Fiscal Agent, such proposed Supplement, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Series 2019 Special Tax Bonds as referred to in the Fiscal Agent Agreement. In determining whether the Owners of 60% of the aggregate principal amount of the Series 2019 Special Tax Bonds have consented to the adoption of any Supplement, Series 2019 Special Tax Bonds which 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, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplement hereto and the receipt of consent to any such amendment from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of the Fiscal Agent Agreement, the Fiscal Agent Agreement shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Fiscal Agent Agreement of the District and all Owners of Series 2019 Special Tax Bonds then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. Notwithstanding anything herein to the contrary, no Supplement shall be entered into which would modify the duties of the Fiscal Agent hereunder without the prior written consent of the Fiscal Agent.

### **Fiscal Agent**

The Fiscal Agent is appointed and takes authorized actions under the terms of the Fiscal Agent Agreement. The initial Fiscal Agent may be removed or replaced by the District upon 30 days' prior written notice (except during the continuance of an event of default, as further discussed below) or may resign in favor of a successor Fiscal Agent. The Fiscal Agent Agreement provides for certain minimum qualifications of the Fiscal Agent and provides for

notice and procedures in the event a successor Fiscal Agent is required or appointed.

The duties of the Fiscal Agent are specified within the Fiscal Agent Agreement and include mailing interest payments to the Owners, selecting Series 2019 Special Tax Bonds for redemption pursuant to the terms of the Fiscal Agent Agreement, giving notice of redemption and meetings of the Owners, maintaining the Bond Register and maintaining and administering the funds and accounts established pursuant to the Fiscal Agent Agreement. The Fiscal Agent also performs all other acts authorized or directed of the Fiscal Agent pursuant to the terms of the Fiscal Agent Agreement.

The Fiscal Agent Agreement provides that the recitals of fact and all promises, covenants and agreements contained therein and in the Series 2019 Special Tax Bonds are to be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Fiscal Agent Agreement or the Series 2019 Special Tax Bonds. The Fiscal Agent Agreement provides for certain protections from liability of the Fiscal Agent except for its own negligence or willful misconduct, as further specified in the Fiscal Agent Agreement. Included as part of such protections, the Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent security or indemnity acceptable to the Fiscal Agent against the costs, expenses, and liabilities which may be incurred therein or thereby.

### **Events of Default: Remedies**

Events of Default. Any one or more of the following events shall constitute an “event of default”:

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Series 2019 Special Tax Bond when and as the same shall become due and payable, whether at maturity as therein expressed or from mandatory redemption;

(b) Default in the due and punctual payment of the interest on any Series 2019 Special Tax Bond when and as the same shall become due and payable; or

(c) Default by the District in the observance of any of the other agreements, conditions or covenants on its part contained in the Fiscal Agent Agreement or in the Series 2019 Special Tax Bonds, and the continuation of such default for a period of 30 days after the District shall have been given notice in writing of such default by the Fiscal Agent, provided that if within 30 days the District has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated; and provided further, that any noncompliance with the terms of the Continuing Disclosure Covenant, identified in the Fiscal Agent Agreement, shall not be an event of default under the terms of the Fiscal Agent Agreement and is limited to the remedies specifically identified therein (see “CONTINUING DISCLOSURE” in the Official Statement for further information).

Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the 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 Fiscal Agent Agreement;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) Upon the happening of an event of default (as defined in the Fiscal Agent Agreement), by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in the Fiscal Agent Agreement, or in the Series 2019 Special Tax Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Series 2019 Special Tax Bonds to the respective Owners of the Series 2019 Special Tax Bonds at the respective dates of maturity, as provided in the Fiscal Agent Agreement, out of the Net Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Series 2019 Special Tax Bonds and in the Fiscal Agent Agreement.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by the Fiscal Agent Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy conferred through the Fiscal Agent Agreement upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Fiscal Agent Agreement or now or thereafter 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.

Application of Net Special Tax Revenues After Default. If an Event of Default shall occur and be continuing, all Net Taxes and any other funds thereafter received by the Fiscal Agent under any of the provisions of the Fiscal Agent Agreement shall be applied by the Fiscal Agent as follows and in the following order:



(a) To the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Series 2019 Special Tax Bonds and payment of reasonable fees, charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Fiscal Agent Agreement;

(b) To the payment of the principal of and interest then due with respect to the Series 2019 Special Tax Bonds (upon presentation of the Series 2019 Special Tax Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Fiscal Agent Agreement, as follows:

First: To the payment to the Owners entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Owners entitled thereto, without any discrimination or preference; and

Second: To the payment to the Owners entitled thereto of the unpaid principal of any Series 2019 Special Tax Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Series 2019 Special Tax Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Series 2019 Special Tax Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Owners entitled thereto, without any discrimination or preference.

Any remaining funds shall be transferred by the Fiscal Agent to the Special Tax Fund.

Limitation on Bondowners' Right to Sue. Except as expressly provided for in the Fiscal Agent Agreement, no Owner shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Fiscal Agent Agreement, the Act or any other applicable law with respect to such Series 2019 Special Tax Bonds, unless (a) such Owner shall have given to the Fiscal Agent written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Series 2019 Special Tax Bonds then Outstanding shall have made written request upon the Fiscal Agent to exercise the powers thereinbefore granted or to institute such suit, action or proceeding in its own name, (c) such Owner, or Owners, shall have tendered to the Fiscal Agent security indemnity acceptable to the Fiscal Agent against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Fiscal Agent shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and such tender of indemnity shall have been made to, the Fiscal Agent.

Such notification, request, tender of indemnity and refusal or omission are declared within the Fiscal Agent Agreement, in every case, to be conditions precedent to the exercise by any Owner of any remedy thereunder or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Fiscal Agent Agreement or the rights of any other Owners, or to enforce any right under the Series 2019 Special Tax Bonds, the Fiscal Agent

Agreement, the Act or other applicable law with respect to the Series 2019 Special Tax Bonds, except in the manner therein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners, subject to the provisions of the Fiscal Agent Agreement (see “SPECIAL RISK FACTORS – Limitations on Remedies” in the Official Statement for further information).

No Acceleration. The Series 2019 Special Tax Bonds are not subject to acceleration in payment of interest or principal prior to maturity (see “SPECIAL RISK FACTORS – No Acceleration Provision” in the Official Statement for further information).

### **Defeasance**

If all or a specified portion of the Series 2019 Special Tax Bonds shall be paid and discharged under the terms of the Fiscal Agent Agreement 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 due on such Series 2019 Special Tax Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund and available for such purpose, is fully sufficient to pay the principal of and interest on such Series 2019 Special Tax Bond as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust, direct, non-callable, Federal Securities, in which the District may lawfully invest its money, in such amount as certified by a nationally recognized certified public accountant which will, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund available for such purpose, together with the interest to accrue thereon, be fully sufficient to pay and discharge the principal of and interest and any premium on such Series 2019 Special Tax Bond as and when the same shall become due and payable; then, notwithstanding that any such Series 2019 Special Tax Bond shall not have been surrendered for payment, all obligations of the District under the Fiscal Agent Agreement, and any Supplement, with respect to such Series 2019 Special Tax Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Series 2019 Special Tax Bonds not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in the Fiscal Agent Agreement.

In connection with a defeasance under (b) or (c) above, there shall be provided to the District and the Fiscal Agent a certificate of a certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent, or the designated escrow holder, to pay and discharge the principal of, premium, if any, and interest on the Outstanding Bonds to be defeased in accordance with this the Fiscal Agent Agreement, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Series 2019 Special Tax

Bonds being defeased have been legally defeased in accordance with the Fiscal Agent Agreement. Upon such a defeasance, the Fiscal Agent shall release the rights of the Owners of such Series 2019 Special Tax Bonds which have been defeased under the Fiscal Agent Agreement 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 hereunder of all Outstanding Bonds, the Fiscal Agent shall pay over or deliver to the District any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Series 2019 Special Tax Bonds when due. The Fiscal Agent shall, at the written direction and expense of the District, mail, first-class, postage prepaid, a notice to the Owners whose Series 2019 Special Tax Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

### **Miscellaneous Provisions**

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Fiscal Agent Agreement to be signed or executed by Owners 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 any commercial bank, trust company or other depository for such Series 2019 Special Tax Bond. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of such Bond shall be sufficient for the purposes of the Fiscal Agent Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or their 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 shall also constitute sufficient proof of this authority; provided, however, that nothing contained in the Fiscal Agent Agreement shall be construed as limiting the Fiscal Agent to such proof, it being intended that the Fiscal Agent may accept any other evidence of the matters herein stated which the Fiscal Agent may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Series 2019 Special Tax Bond in respect to anything done or suffered to be done by the Fiscal Agent in pursuance of such request or consent; and

(b) As to any Series 2019 Special Tax Bond, the Person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Series 2019 Special Tax Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2019 Special Tax Bond and the interest thereon to the extent of the sum or sums so paid. The Fiscal Agent shall not be affected by any notice to the contrary.

Provisions Constitute Contract. The provisions of the Fiscal Agent Agreement, including any Supplements thereto, and the Series 2019 Special Tax Bonds shall constitute a contract between the District and the Owners (“Contract”) and the provisions hereof and thereof shall be

enforceable by any Owner for the equal benefit and protection of all Owners similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State in any court of competent jurisdiction. The Contract is made under and is to be construed in accordance with the laws of the State.

No remedy conferred hereby upon any Owner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law of the State. No waiver of any default or breach of duty or contract by any Owner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Owners may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Owner shall prevail, said Owner shall be entitled to receive from the Net Taxes reimbursement for reasonable costs, expenses, outlays and attorneys' fees and should said suit, action or proceeding be abandoned, or be determined adversely to the Owners then, and in every such case, the District's positions, rights and remedies shall be construed in a manner as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds, the Fiscal Agent Agreement shall not be subject to repeal, but shall be subject to modification to the extent and in the manner provided in the Fiscal Agent Agreement, but to no greater extent and in no other manner.

Limitation of Rights. Nothing in the Fiscal Agent Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Fiscal Agent, the District and the Bondowners any legal or equitable right, remedy or claim under or in respect to the Fiscal Agent Agreement or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Fiscal Agent, the District and the Bondowners.

Payment on Non-Business Days. In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

## APPENDIX E

### FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of March 1, 2019, is executed and delivered by Community Facilities District No. 2015-2 of the Moreno Valley Unified School District (the “District”) and KeyAnalytics, as dissemination agent, in connection with the issuance and delivery by the District of its Series 2019 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 2018-19-58 and that certain Fiscal Agent Agreement, dated as of March 1, 2019 (the “Fiscal Agent Agreement”). The District covenants 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 (as defined below).

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

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

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

“*Disclosure Representative*” shall mean the Superintendent of the School District, the Chief Business Official of the School District or his or her designee, or such other officer or employee as the School District shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean, initially, KeyAnalytics, 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.

“*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) a 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 Repository consistent with the Rule.

“*Listed Events*” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Agreement.

“*Participating Underwriter*” shall mean Piper Jaffray & Co.

“*Rate and Method*” shall mean the Rate and Method of Apportionment of Special Taxes for the District.

“*Repository*” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Rule*” shall mean 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.

“*School District*” shall mean the Moreno Valley Unified School District.

“*Tax-exempt*” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

### SECTION 3. Provision of Annual Reports.

(a) Not later than March 1 immediately following the end of the District’s fiscal year, commencing March 1, 2020, the District shall, provide or shall cause the Dissemination Agent to provide, to the Repository and the Participating Underwriter 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 that the audited financial statements of the District 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’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify the Repository or the Municipal Securities Rulemaking Board and the Dissemination Agent of a change in the fiscal year dates.

(b) In the event that 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 the Repository, 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. The Dissemination Agent 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 the Repository an Annual Report by the date required in subsection (a), the District shall send in a timely manner a notice to the Municipal Securities Rulemaking Board, the Repository, if any, and the Participating Underwriter in substantially the form attached to this Disclosure Agreement as Exhibit A. 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 the Repository by the date required in subsection (a), the Dissemination Agent shall send in a timely manner a notice to the Repository, in substantially the form attached as Exhibit A.

(d) The Disclosure Dissemination Agent shall upon receipt, promptly file each Annual Report received under Section 3(b) with the Repository.

### SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the School District for the most recent fiscal year of the School District then ended. If the audited financial statements are not available by the

time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the District in a format similar to the audited 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 of the School District shall be audited by such auditor as shall then be required or permitted by State law or the Fiscal Agent Agreement. Audited financial statements 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 School 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 School District shall modify the basis upon which its financial statements are prepared, the District shall provide a notice of such modification to the Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of Bonds and any parity bonds outstanding as of September 2 of each year;

(ii) the balance in each fund under the Fiscal Agent Agreement as of the December 1 preceding the filing of the Annual Report, including the Reserve Fund and a statement of the Reserve Requirement;

(iii) a summary of the Special Taxes levied within the District, and an update of Table 5 based on the assessed value of such land, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report date;

(iv) any changes to the Rate and Method Tax approved or submitted to the electors for approval prior to the filing of the Annual Report;

(v) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;

(vi) the delinquency rate for the Special Taxes for the preceding fiscal year and the identity of any property owner whose delinquent Special Taxes represent more than 5% of the amount levied and the assessed value-to-lien ratios of such delinquent properties; and

(vii) any information not already included under (i) through (vi) above that the District is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

In addition to any of the information expressly required to be provided under paragraphs (a) or (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements set forth in clauses (i) to (vii), in the light of the circumstances under which they were made, not misleading for purposes of applicable federal securities laws.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repository. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The District shall notify the Dissemination Agent in a timely manner not more than eight (8) Business Days after the following events, and the Dissemination Agent shall file a notice with the Repository in a timely manner not more than ten (10) Business Days after the following events:

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 or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB);
6. defeasances;
7. tender offers;
8. ratings changes;
9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties; and

10. bankruptcy, insolvency, receivership or similar proceedings. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District or the School District 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 the School 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 or the School District.

(b) Additionally, the District shall notify the Dissemination Agent in a timely manner no more than eight (8) Business Days after the following events, if material, and the Dissemination Agent shall file a notice with the Repository, in a timely manner not more than ten (10) Business Days after the following event, if material:

1. The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated persons or their person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its term;
2. appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent;
3. non payment related defaults;



4. modifications to the rights of Bondowners;
5. Bond calls;
6. release, substitution or sale of property securing repayment of the Bonds (including the release of any Letter of Credit);
7. unless described under Section 5(a)(5) above, other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; and
8. incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondowners.

(c) The District intends that the words used in Section 5(a)(9) and 5(b)(8), and the definition of Financial Obligation in Section 2, have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

(d) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and 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. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. 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.

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Special District Financing & Administration LLC. The Dissemination Agent may resign by providing (i) thirty days written notice to the District, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 9. Amendment.

(a) This Disclosure Amendment 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 and the Participating Underwriter, 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, or such amendment shall have been approved by the Owners in the same manner as an amendment to the Fiscal Agent Agreement, and (5) the District shall have delivered copies of such opinion and amendment to the Repository and the Participating Underwriter.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 9(a)(1), (2) and (3) have been satisfied.

(c) To the extent 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 10. 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 Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the 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 mandate 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 Fiscal Agent Agreement, 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 12. 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 they 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 Dissemination Agent shall have no duty or obligation to review any information provided to it by the District pursuant to this Disclosure Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment

of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

The Dissemination Agent may file reports, notices and other information as required by this agreement electronically to the Repository. If the District is equipped to receive such information electronically, the Dissemination Agent will include the District in any simultaneous electronic dissemination of materials.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. 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 15. Governing Law. This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 16. Notices. Notices shall be provided, as required hereunder, to the applicable addressees below:

District: Moreno Valley Unified School District  
25634 Alessandro Boulevard  
Moreno Valley, California 92553  
Telephone: (951) 571-7500  
Facsimile: (951) 571-7659  
Attention: Chief Business Official

Dissemination Agent: KeyAnalytics  
555 Corporate Drive  
Suite 100  
Ladera Ranch, CA 92694  
Telephone: (949) 282-1077  
Facsimile:  
Attention: Justin Bjorgan

Participating Underwriter: Piper Jaffray & Co.  
2321 Rosecrans Avenue  
El Segundo, California 90245  
Telephone: (310) 297-6013  
Facsimile: (310) 297-6001  
Attn: Richard Calabro

SECTION 17. 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 18. 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.

COMMUNITY FACILITIES DISTRICT NO. 2015-2 OF  
THE MORENO VALLEY UNIFIED SCHOOL  
DISTRICT

By: \_\_\_\_\_  
Superintendent of the Moreno Valley Unified  
School District on behalf of Community Facilities  
District No. 2015-2 of the Moreno Valley Unified  
School District

KEYANALYTICS,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: Authorized Officer

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Community Facilities District No. 2015-2 of the Moreno Valley Unified School District

Name of Bond Issue: Community Facilities District No. 2015-2 of the Moreno Valley Unified School District Series 2019 Special Tax Bonds

Date of Issuance: March 28, 2019

NOTICE IS HEREBY GIVEN that Community Facilities District No. 2015-2 of the Moreno Valley Unified School District (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of March 1, 2019. [The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

\_\_\_\_\_,  
as Dissemination Agent

cc: Moreno Valley Unified School District

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## APPENDIX F

### FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement of KB HOME California LLC (the “Disclosure Agreement”) dated as of March 1, 2019 is executed and delivered by KB HOME California LLC (“KB”), and KeyAnalytics, as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery by the Community Facilities District No. 2015-2 of the Moreno Valley Unified School District (the “District”) of \$6,345,000 of its Series 2019 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on February 12, 2019, by the Board of Education of the Moreno Valley Unified School District, acting as the legislative body of the District, and the Fiscal Agent Agreement dated as of March 1, 2019 by and between the District and U.S. Bank National Association, as Fiscal Agent. KB covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by KB to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. Unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Affiliate*” shall mean, with respect to KB, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of KB, or (b) each Person that controls, is controlled by or is under common control with KB or any Affiliate of KB; provided, however, that in no case shall the District be deemed to be an Affiliate of KB for purposes of this Disclosure Agreement. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“*Beneficial Owner*” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“*Dissemination Agent*” shall mean initially KeyAnalytics, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by KB and which has filed with KB and the District a written acceptance of such designation.

“*District*” shall mean Community Facilities District No. 2015-2 of the Moreno Valley Unified School District.

“*EMMA*” shall mean the Electronic Municipal Market Access system of the MSRB.

“*Equity Securities*” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“*Fiscal Year*” shall mean the period beginning on January 1 of each year and ending on the next succeeding December 31.

“*Government Authority*” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“*Listed Event*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Official Statement*” shall mean the Official Statement, dated March 7, 2019, relating to the Bonds.

“*Person*” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“*Property*” shall mean the property within District owned by KB.

“*Repository*” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“*Rule*” shall mean 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.

“*Semiannual Report*” shall mean any report to be provided by KB on or prior to December 15 and June 15 of each year, commencing December 15, 2019, pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*State*” shall mean the State of California.

“*Underwriter*” shall mean the original underwriter of the Bonds, which is Piper Jaffray & Co.

### SECTION 3. Provision of Semiannual Report.

(a) Until such time as KB’s reporting requirements terminate pursuant to Section 6 below, KB shall, or upon receipt of the Semiannual Report from KB the Dissemination Agent shall, not later than December 15 and June 15 of each year, commencing December 15, 2019, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, June 15 or December 15 falls on a Saturday, Sunday or a holiday, such deadline shall be extended to the next following day that is not a Saturday, Sunday, or holiday. The Semiannual 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.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, KB (i) shall provide the Semiannual Report to the Dissemination Agent or (ii) shall provide notification to the Dissemination Agent that KB is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be filed. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify KB of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the applicable June 15th or December 15th or to verify that a Semiannual Report has been provided to the Repository by KB by the applicable June 15th or December 15th, the Dissemination Agent shall send a timely notice to the Repository in the form required by the Repository.



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

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

#### SECTION 4. Content of Semiannual Report.

(a) KB's Semiannual Report shall contain or include by reference the information which is updated through a date which shall not be more than 60 days prior to the date of the filing of the Semiannual Report relating to the following:

1. An update (if any) to the information relating to KB and its Affiliates under the captions in the Official Statement entitled "OWNERSHIP AND DEVELOPMENT OF THE DISTRICT."

2. Any significant amendments to land use entitlements that are known to KB with respect to the Property.

3. Status of Special Tax payments with respect to the Property.

4. An update of the number of homes for which building permits were issued within the Property and the number of homes within the Property conveyed to individual homeowners.

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. KB 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, KB shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c) as soon as practicable after KB obtains knowledge of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the Property by KB or any Affiliate;

2. Material default by KB or any Affiliate on any loan with respect to the construction or permanent financing for the development of the Property for which KB or any Affiliate has been provided a notice of default;

3. Payment default by KB or any Affiliate on any loan of KB or any Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan and, in the reasonable judgment of KB, such payment default will adversely affect the completion of the development of the Property or would materially adversely affect the financial condition of KB or its Affiliates and their respective ability to complete development of the Property;

4. The filing of any proceedings with respect to KB in which KB may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of its debts;

5. The filing of any proceedings with respect to an Affiliate in which the Affiliate may be adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts, if such adjudication will adversely affect the completion of the development of parcels within the Property, or would materially adversely affect the financial condition of KB or its Affiliates and their respective ability to complete development of the Property; and

6. The filing of any lawsuit against KB or any of its Affiliates (for which KB has actual notice, as through receipt of service of process) which, in the reasonable judgment of KB, will materially adversely affect the completion of the development of the Property, or litigation which if decided against KB, or any of its Affiliates, in the reasonable judgment of KB, would materially adversely affect the financial condition of KB or its Affiliates and their respective ability to complete development of the Property.

(b) Whenever KB obtains knowledge of the occurrence of a Listed Event, KB shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If KB determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, KB shall promptly (i) file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the District, or (ii) file a notice of such occurrence with the Repository, with a copy to the Dissemination Agent and the District.

SECTION 6. Termination of Reporting Obligation. KB's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or
- (b) at such time as KB and its Affiliates, in the aggregate, are no longer responsible for payment of 20% or more of the special taxes in the District.

If such termination occurs prior to the final maturity of the Bonds, KB shall give notice of such termination in the same manner as for a Listed Event hereunder.

SECTION 7. Dissemination Agent. KB 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. If the Dissemination Agent is not KB, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by KB pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing (i) thirty days written notice to KB and the Dissemination Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, KB may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements or a change in law;

(b) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Fiscal Agent with the consent of owners of the Bonds, or (ii) does not, in the written

opinion of nationally recognized bond counsel addressed to the District and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and

(c) KB, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the District and the Fiscal Agent.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, KB shall describe such amendment in the next Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent KB 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 Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If KB chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, KB shall have no obligation under this Disclosure Agreement to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

KB acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to KB, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of KB under such laws.

SECTION 10. Default. In the event of a failure of KB or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Underwriter or any owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause KB or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. Notwithstanding the foregoing sentence, the sole remedy under this Disclosure Agreement in the event of any failure of KB 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 not be deemed to be acting in any fiduciary capacity for KB, the Underwriter, owners of the Bonds or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from KB or an opinion of nationally recognized bond counsel. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Semiannual Report provided to it by KB as constituting the Semiannual Report required of KB in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare the Semiannual Report nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by KB in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. KB as Independent Contractor. In performing under this Disclosure Agreement, it is understood that KB is an independent contractor and not an agent of the District.

SECTION 13. Notices. Notices should be sent in writing by electronic mail, regular mail or overnight mail to the following addresses. The following information may be conclusively relied upon until changed in writing.

KB: KB HOME California LLC  
Inland Empire Division  
36310 Inland Valley Drive  
Wildomar, California 92595  
Attention: Director Forward Planning

With a copy to:

KB Home  
10990 Wilshire Boulevard  
Los Angeles, California 90024  
Attention: Legal Department

Dissemination Agent: KeyAnalytics  
555 Corporate Drive, Suite 100  
Ladera Ranch, CA 92694  
Telephone: (949) 282-1077  
Facsimile:  
Attention: Justin Bjorgan

Underwriter: Piper Jaffray & Co.  
2321 Rosecrans Avenue  
El Segundo, California 90245  
Telephone: (310) 297-6013  
Facsimile: (310) 297-6001  
Attn: Richard Calabro

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of KB, the District, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. California Law. 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.

KB HOME CALIFORNIA LLC

By: \_\_\_\_\_  
Name:  
Title:

KEYANALYTICS, as Dissemination Agent

By: \_\_\_\_\_  
Authorized Representative

## APPENDIX G

### BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 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 certificate will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com); provided that nothing contained in such website is incorporated herein by reference.

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 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 Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the 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 Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Fiscal Agent. 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, Bond certificates will be printed and delivered to DTC.

THE FISCAL AGENT, 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.

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**APPENDIX H**

**THE APPRAISAL REPORT AND BRING FORWARD LETTER**

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**Appraisal of Real Property**

**Community Facilities District No. 2015-2 (Bella Cortina)**

Residential Subdivision

Tuberose Ln.

Moreno Valley, Riverside County, California 92555

**Prepared For:**

Moreno Valley Unified School District

**Effective Date of the Appraisal:**

November 1, 2018

**Report Format:**

Appraisal Report – Standard Format

**IRR - San Francisco**

File Number: 192-2018-0163





**Community Facilities District No. 2015-2 (Bella Cortina)**  
Tuberose Ln.  
Moreno Valley, California



January 30, 2019

Ms. Tina Daigneault  
Chief Business Official  
Moreno Valley Unified School District  
25634 Alessandro Blvd.  
Moreno Valley, CA 92553

SUBJECT: Market Value Appraisal  
Community Facilities District No. 2015-2 (Bella Cortina)  
Tuberose Ln.  
Moreno Valley, Riverside County, California 92555  
IRR - San Francisco File No. 192-2018-0163

Dear Ms. Daigneault:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value (subject to a hypothetical condition) of the fee simple interest in the property. The client for the assignment is Moreno Valley Unified School District (in certain cases herein, the “School District”), and the intended use is for bond underwriting purposes in connection with special tax bonds to be issued by Community Facilities District No. 2015-2 of the Moreno Valley Unified School District (“CFD No. 2015-2”).

CFD No. 2015-2 is comprised of residentially zoned land in the city of Moreno Valley. The subject property is bounded by Cactus Avenue to south, Brodiaea Avenue to the north, and Wilmot Street to the east. Specifically, the territory within CFD No. 2015-2 includes 159 lots in Tract No. 36436, which is being marketed as the Bella Cortina Subdivision. Of the 159 Assessor's parcels within the boundaries of CFD No. 2015-2, 60 have completed single-family homes, including 3 model homes. None of the Assessor's parcels have a complete assessed value for both land and improvements. As such, a "not-less-than" estimate of market value for each of the five floor plans being marketed within CFD No. 2015-2 was appraised and assigned to each respective Assessor's parcel. According to the provided 2018/19 Tax Roll, all completed and sold homes are identified as being owned by the

merchant builder (KB Home); however, of the 60 completed homes, 34 have been sold to individual owners.

We have been requested to provide a market value of the appraised properties by Assessor's parcel, as well as a cumulative, or aggregate, value of the properties, as of November 1, 2018. The market value of the appraised properties, as well as the cumulative, or aggregate, value of the appraised properties in CFD No. 2015-2 account for the impact of the lien of the special tax securing the CFD No. 2015-2 Series 2019 Special Tax Bonds ("Bonds"). The estimates of value for the completed homes derived herein are a not less than estimate of value per floor plan, as no contributory value is given to options/upgrades.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and applicable state appraisal regulations. The appraisal is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

As a result of our analysis, it is our opinion the cumulative, or aggregate, value, in accordance with the assumptions and conditions set forth in the attached document, as of November 1, 2018, is not less than:

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**Conclusions of Value, by Component**

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| <b>Component</b>   | <b>No. of Parcels</b> | <b>Market Value</b> | <b>Aggregate Value</b> |
|--|-----------------------|---------------------|------------------------|
| Completed Homes  |                       |                     |                        |
| Individual Homeowners  |                       |                     |                        |
| Residence One  | 6                     | \$370,000           | \$2,220,000            |
| Residence Two  | 7                     | \$380,000           | \$2,660,000            |
| Residence Three  | 11                    | \$400,000           | \$4,400,000            |
| Residence Four   | 7                     | \$410,000           | \$2,870,000            |
| Residence Five   | <u>3</u>              | \$440,000           | <u>\$1,320,000</u>     |
| <i>Subtotal</i>  | 34                    |                     | \$13,470,000           |
| KB Home  |                       |                     |                        |
| Residence One  | 4                     | \$370,000           | \$1,480,000            |
| Residence Two  | 6                     | \$380,000           | \$2,280,000            |
| Residence Three  | 6                     | \$400,000           | \$2,400,000            |
| Residence Four   | 4                     | \$410,000           | \$1,640,000            |
| Residence Five   | <u>6</u>              | \$440,000           | <u>\$2,640,000</u>     |
| <i>Subtotal</i>  | 26                    |                     | \$10,440,000           |
| Homes Under Construction                                       | 44                    | Varies              | \$7,612,000            |
| Improved Lots  | 55                    | \$130,000           | \$7,150,000            |
| <b>Cumulative, or Aggregate, Value of Appraised Properties</b> | <b>159</b>            |                     | <b>\$38,672,000</b>    |

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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The estimate of market value accounts for the impact of the lien of CFD No. 2015-2 of the special taxes securing the Bonds.

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Ms. Tina Daigneault  
Moreno Valley Unified School District  
January 30, 2019  
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If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

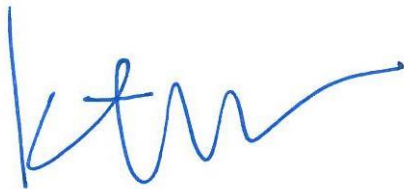
**INTEGRA REALTY RESOURCES - SAN FRANCISCO**



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## Summary of Salient Facts and Conclusions

|   |   |
|---|---|
| Property Name                           | Community Facilities District No. 2015-2 (Bella Cortina)          |
| Address                                 | Tuberose Ln.<br>Moreno Valley, Riverside County, California 92555 |
| Property Type                           | Land - Residential Subdivision                                    |
| Owner of Record                         | KB Home Calif   |
| Zoning Designation                      | R-5, Suburban Residential (5 du/ac)                               |
| Highest and Best Use                    | Single-family residential   |
| Exposure Time; Marketing Period         | 12 months; 12 months  |
| Effective Date of the Appraisal         | November 1, 2018  |
| Date of the Report                      | January 30, 2019  |
| Property Interest Appraised             | Fee Simple  |
| Total Aggregate of Appraised Properties | \$38,672,000  |

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Moreno Valley Unified School District and CFD No. 2015-2 and its associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The estimate of market value accounts for the impact of the lien of CFD No. 2015-2 of the special taxes securing the Bonds.

## General Information

### Identification of Subject

CFD No. 2015-2 is comprised of residentially zoned land in the city of Moreno Valley. The subject property is bounded by Cactus Avenue to south, Brodiaea Avenue to the north, and Wilmot Street to the east. Specifically, the territory within CFD No. 2015-2 includes 159 lots in Tract No. 36436, which is being marketed as the Bella Cortina Subdivision. Of the 159 Assessor's parcels within the boundaries of CFD No. 2015-2, 60 have completed single-family homes, including 3 model homes. None of the Assessor's parcels have a complete assessed value for both land and improvements. As such, a "not-less-than" estimate of market value for each of the five floor plans being marketed within CFD No. 2015-2 was appraised and assigned to each respective Assessor's parcel. According to the provided 2018/19 Tax Roll, all completed and sold homes are identified as being owned by the merchant builder (KB Home); however, of the 60 completed homes, 34 have been sold to individual owners.

A legal description of the property is provided within the preliminary title report, included in the addenda of this report.

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### Property Identification

|                 |  |
|-----------------|--|
| Property Name   | Community Facilities District No. 2015-2 (Bella Cortina)   |
| Address         | Tuberose Ln.<br>Moreno Valley, California 92555  |
| Tax ID          | 478-440-001 thru -046; 478-441-001 thru -007; 478-450-001 thru -032; 478-451-001 thru -009; 478-452-001 thru -021; 478-460-001 thru -007; 478-461-001 thru -023; 478-462-001 thru -014 |
| Owner of Record | KB Home  |

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### Sale History

The Appraisal Report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) for Mass Appraisals, inasmuch this Appraisal Report does not provide a discussion of the sales history for each parcel appraised herein during the past three years. The scope of work outlined in this Appraisal Report is based on the specific intended use of this Appraisal Report. As will be shown and detailed herein, the appraised properties have been the subject of previous, recent and pending transactions as completed single-family homes currently being marketed for sale by KB Home within CFD No. 2015-2. Several recent sales within the subject property will be analyzed herein for purposes of estimating a not less-than market value for the five floor plans currently being marketed within the District.

### Purpose of the Appraisal

The purpose of this Appraisal Report is to estimate the market value (*fee simple estate*), by Assessor's parcel, and the cumulative, or aggregate value of the appraised properties comprising CFD No. 2015-2, subject to the hypothetical condition certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees, as of the effective date of

the appraisal, November 1, 2018. The date of the report is January 30, 2019. The appraisal is valid only as of the stated effective date or dates.

## Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

*(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015))*

## Intended Use and User

The intended use of the Appraisal Report is for bond underwriting purposes. The client is the School District/CFD No. 2015-2. The intended users are Moreno Valley Unified School District and its associated finance team. The Appraisal Report may be included in the Bond Transcript and potentially in the Preliminary Official Statement and the Official Statement used to market the Bonds.

## Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);

- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

### Approaches to Value

| Approach                       | Applicability to Subject | Use in Assignment |
|--------------------------------|--------------------------|-------------------|
| Cost Approach                  | Applicable               | Utilized          |
| Sales Comparison Approach      | Applicable               | Utilized          |
| Income Capitalization Approach | Not Applicable           | Not Utilized      |

The valuation began by employing the sales comparison approach to estimate the not-less-than market value for the completed single-family homes, based on each floor plan within the subdivision. Partial improvement value was assigned to the homes under construction that were at least 80% complete. Then, the sales comparison approach and extraction technique were utilized to estimate

the market value of the single-family residential lots. In the sales comparison approach, adjustments were applied to the prices of comparable bulk lot transactions, and a market value was concluded. Then, as a support of reasonableness, an extraction analysis was utilized, which was reconciled with the sales comparison approach conclusion.

The market value estimates for the various taxable land use components described above were then assigned to the various assessor's parcels comprising the appraised properties in order to derive the values.

### **Research and Analysis**

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

### **Inspection**

Eric Segal, MAI, conducted an on-site inspection of the subject property on October 19, 2018.

# Economic Analysis

## Area Analysis – Riverside County

### Introduction

Riverside County is part of a region known as the Inland Empire of southern California, southeast of Los Angeles. The County is bordered by San Bernardino County to the north, Orange County to the west, San Diego and Imperial counties to the south, and the state of Arizona to the east. Major cities in the county include Riverside, Moreno Valley, Corona, Murrieta and Temecula. In general, Riverside County is one of California's fastest growing metropolitan areas. Many new residents are coming from the more expensive metropolitan areas of Los Angeles and San Diego.

### Population

The County has a population of just over 2.3 million and has grown at a moderate rate of 1.3% per year for the past five years. The following table illustrates recent population trends for areas within Riverside County over the past several years.

| Population Trends  |                  |                  |                  |                  |                  |                  |               |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------|
| City               | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | %/Yr (5-year) |
| Banning            | 30,051           | 30,177           | 30,325           | 30,668           | 30,836           | 31,068           | 0.7%          |
| Beaumont           | 38,967           | 39,787           | 40,876           | 43,370           | 44,821           | 46,179           | 3.7%          |
| Blythe             | 20,440           | 19,609           | 18,992           | 19,183           | 19,725           | 19,660           | -0.8%         |
| Calimesa           | 8,022            | 8,096            | 8,231            | 8,214            | 8,378            | 8,637            | 1.5%          |
| Canyon Lake        | 10,721           | 10,771           | 10,826           | 10,709           | 10,799           | 10,891           | 0.3%          |
| Cathedral City     | 52,108           | 52,350           | 52,595           | 53,687           | 54,040           | 54,557           | 0.9%          |
| Coachella          | 42,030           | 42,795           | 43,633           | 44,784           | 45,135           | 45,551           | 1.7%          |
| Corona             | 154,986          | 156,864          | 159,132          | 162,746          | 163,931          | 167,759          | 1.6%          |
| Desert Hot Springs | 27,721           | 27,835           | 28,001           | 28,664           | 28,885           | 29,111           | 1.0%          |
| Eastvale           | 55,770           | 57,266           | 59,185           | 60,881           | 63,214           | 64,613           | 3.2%          |
| Hemet              | 80,330           | 80,899           | 81,537           | 80,433           | 81,109           | 81,868           | 0.4%          |
| Indian Wells       | 5,050            | 5,083            | 5,137            | 5,306            | 5,375            | 5,450            | 1.6%          |
| Indio              | 78,299           | 81,415           | 82,398           | 86,142           | 87,382           | 88,718           | 2.7%          |
| Jurupa Valley      | 96,746           | 97,272           | 97,774           | 97,537           | 98,920           | 101,315          | 0.9%          |
| Lake Elsinore      | 53,183           | 55,444           | 56,718           | 59,049           | 60,876           | 62,092           | 3.4%          |
| La Quinta          | 38,190           | 38,412           | 39,032           | 39,485           | 40,176           | 40,677           | 1.3%          |
| Menifee            | 80,832           | 82,314           | 83,716           | 86,910           | 88,524           | 90,660           | 2.4%          |
| Moreno Valley      | 197,088          | 198,183          | 199,258          | 203,183          | 204,712          | 206,750          | 1.0%          |
| Murrieta           | 105,301          | 105,860          | 106,425          | 111,298          | 112,232          | 114,914          | 1.8%          |
| Norco              | 27,123           | 26,632           | 26,582           | 26,297           | 26,776           | 26,882           | -0.2%         |
| Palm Desert        | 49,619           | 49,962           | 50,417           | 49,526           | 50,154           | 50,740           | 0.5%          |
| Palm Springs       | 45,415           | 45,724           | 46,135           | 46,391           | 46,866           | 47,379           | 0.9%          |
| Perris             | 70,392           | 70,983           | 72,103           | 72,726           | 74,005           | 75,739           | 1.5%          |
| Rancho Mirage      | 17,556           | 17,643           | 17,745           | 17,943           | 18,093           | 18,295           | 0.8%          |
| Riverside          | 309,409          | 312,035          | 314,034          | 320,868          | 323,666          | 326,792          | 1.1%          |
| San Jacinto        | 44,938           | 45,229           | 45,563           | 46,841           | 47,348           | 47,925           | 1.3%          |
| Temecula           | 103,404          | 104,907          | 106,289          | 108,292          | 109,635          | 111,024          | 1.5%          |
| Wildomar           | 32,818           | 33,182           | 33,718           | 34,655           | 35,034           | 35,782           | 1.8%          |
| Unincorporated     | 357,700          | 358,924          | 363,590          | 362,974          | 367,566          | 373,755          | 0.9%          |
| <b>Total</b>       | <b>2,234,209</b> | <b>2,255,653</b> | <b>2,279,967</b> | <b>2,318,762</b> | <b>2,348,213</b> | <b>2,384,783</b> | <b>1.3%</b>   |

Source: California Department of Finance

Riverside County is the fourth most populous county in California, following Los Angeles, San Diego and Orange Counties. The majority of residents live within incorporated areas, the largest of which is the city of Riverside, with a population of just over 326,000. The population in the region is expected to continue to grow; according to the California Department of Finance, the population in Riverside County is projected to increase to nearly 2.9 million by 2030 and 3.4 million by 2050.

### Employment & Economy

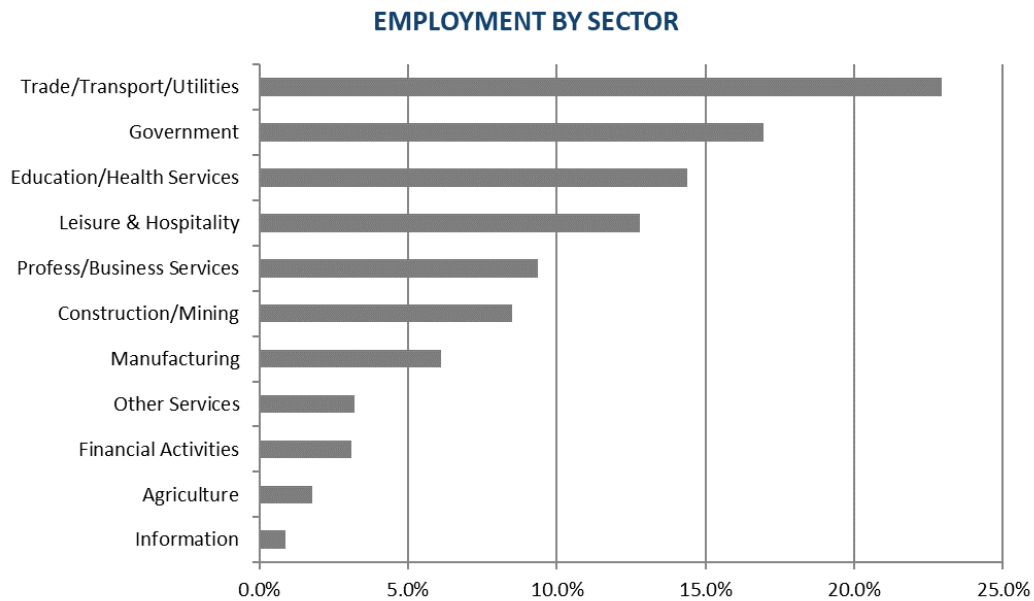
The California Employment Development Department has reported the following employment data for Riverside County over the past few years.

| <b>Employment Trends</b> |         |           |           |           |           |           |
|--------------------------|---------|-----------|-----------|-----------|-----------|-----------|
|                          | 2012    | 2013      | 2014      | 2015      | 2016      | 2017      |
| Labor Force              | 992,400 | 1,000,200 | 1,029,500 | 1,053,900 | 1,060,100 | 1,087,300 |
| Employment               | 888,700 | 913,400   | 958,800   | 992,300   | 1,002,100 | 1,039,800 |
| Job Growth               | 21,500  | 24,700    | 45,400    | 33,500    | 9,800     | 37,700    |
| Unemployment Rate        | 10.4%   | 8.7%      | 6.9%      | 5.8%      | 5.5%      | 4.4%      |

Source: California Employment Development Department

The unemployment rate in Riverside County was 4.2% in March 2018, which is comparable to the unemployment rates for California (4.2%) and the U.S. (4.1%). Most areas within the state and nation, including Riverside County, saw declining unemployment rates from 2004 to 2006, increases from 2007 to 2010, and declines from 2011 to 2017.

The following chart indicates the percentage of total employment for each sector within Riverside County as of December 2016 (most recent available).



Source: California Employment Development Department





As illustrated in the preceding chart, the region’s largest employment sectors are Trade/Transportation/ Utilities, Government, Educational and Health Services, and Leisure and Hospitality.

Riverside County has a diverse economy, with the majority of its employment distributed among several sectors of industry, as opposed to one or two key sectors. The region’s largest employers are listed in the following table.

| <b>Top Employers - Riverside County</b>           |               |                              |                  |
|---|---------------|------------------------------|------------------|
| Employer  | Location      | Description                  | No. of Employees |
| County of Riverside                               | Countywide    | County Government            | 22,538           |
| University of California, Riverside               | Riverside     | University                   | 8,686            |
| March Air Reserve Base                            | March ARB     | Military Reserve Base        | 8,500            |
| Amazon  | Moreno Valley | E-retailer                   | 7,500            |
| Kaiser Permanente Riverside Medical Center        | Riverside     | Hospital                     | 5,739            |
| Corona-Norco Unified School District              | Corona        | School District              | 5,399            |
| Riverside Unified School District                 | Riverside     | School District              | 4,236            |
| Pechanga Resort & Casino                          | Temecula      | Resort/Casino                | 4,000            |
| Riverside University Health System Medical Center | Moreno Valley | Hospital                     | 3,876            |
| Eisenhower Medical Center                         | Rancho Mirage | Hospital                     | 3,665            |
| Hemet Unified School District                     | Hemet         | School District              | 3,665            |
| Moreno Valley Unified School District             | Moreno Valley | School District              | 3,468            |
| Morongo Casino, Resort & Spa                      | Cabazon       | Resort/Casino                | 3,000            |
| Palm Springs Unified School District              | Palm Springs  | School District              | 2,948            |
| Temecula Valley Unified School District           | Temecula      | School District              | 2,905            |
| Desert Sands Unified School District              | La Quinta     | School District              | 2,608            |
| Lake Elsinore Unified School District             | Lake Elsinore | School District              | 2,607            |
| City of Riverside                                 | Riverside     | City Government              | 2,500            |
| JW Marriott Desert Springs Resort & Spa           | Palm Desert   | Resort & Spa                 | 2,304            |
| Desert Regional Medical Center                    | Palm Springs  | Hospital                     | 2,230            |
| Agua Caliente Band of Cahuilla Indians            | Palm Springs  | Tribal Government / Casinos  | 2,229            |
| Coachella Valley Unified School District          | Thermal       | School District              | 2,210            |
| Jurupa Unified School District                    | Jurupa Valley | School District              | 2,208            |
| Murrieta Valley Unified School District           | Murrieta      | School District              | 2,160            |
| Riverside Community Hospital                      | Riverside     | Hospital                     | 2,100            |
| Riverside Community College District              | Riverside     | Community College District   | 2,032            |
| Alvord Unified School District                    | Riverside     | School District              | 2,009            |
| Abbot Vascular                                    | Temecula      | Medical/Surgical Instruments | 2,000            |

Source: Riverside County Economic Development Agency

## Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median household income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median household income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. In the year 2016 (most recent data available from the U.S. Census Bureau), Riverside County’s median household income was \$57,972, which was lower than the state of California’s median household income of \$63,783.

## Transportation

Access to and through Riverside County is provided by several major routes, including Interstates 10, 15 and 215, as well as State Routes 60, 62, 74, 79, 86, 91, 111 and 243. Interstate 10 is the primary east-west connector while Interstates 15 and 215 are the primary north-south connecting highways. The 91 Freeway is a major transportation arterial from the Inland Empire to Orange County via the 55 Freeway.

Interstate 10 is a major east-west route in southern California, connecting the Pacific coast (Santa Monica) with the Arizona state line before traveling further east through the southern portion of Arizona, New Mexico, Texas, Louisiana, Mississippi, Alabama, and terminating in Jacksonville, Florida. Interstate 10 links the major California cities of Santa Monica, Los Angeles, Ontario, Beaumont, Palm Springs, Indio and Blythe.

As a primary north-south connector, Interstate 15 connects the counties of San Bernardino, Riverside and San Diego. The route extends north through Nevada, Arizona, Utah, Idaho and Montana to the Canadian border. Interstate 15 is a major thoroughfare for traffic between San Diego and the Inland Empire, as well as between southern California and Las Vegas, Nevada. Interstate 215 comprises approximately 55 miles of interstate highway in the Inland Empire. The southern terminus of Interstate 215 is at the junction of Interstate 15 in Murrieta in south Riverside County and travels through Perris before joining the 60 Freeway in Moreno Valley. This interstate is considered an alternative to Interstate 15 for travel between Phoenix, Las Vegas, San Bernardino and the San Diego area.

Public transportation is provided by various agencies. Riverside Transit Agency serves the western third of Riverside County, SunLine Transit Agency serves Palm Springs and the Coachella Valley area, Palo Verde Valley Transit Agency serves Blythe near the Arizona border, Pass Transit serves the San Geronio Pass communities, and Corona Cruiser serves the community of Corona. In addition, Riverside County is also served by Greyhound buses and Amtrak passenger trains.

Riverside County's main airport is the Palm Springs International Airport. This two-runway airport is located about two miles east of downtown Palm Springs and is highly seasonal, with most flights operating during the winter.

## Recreation & Culture

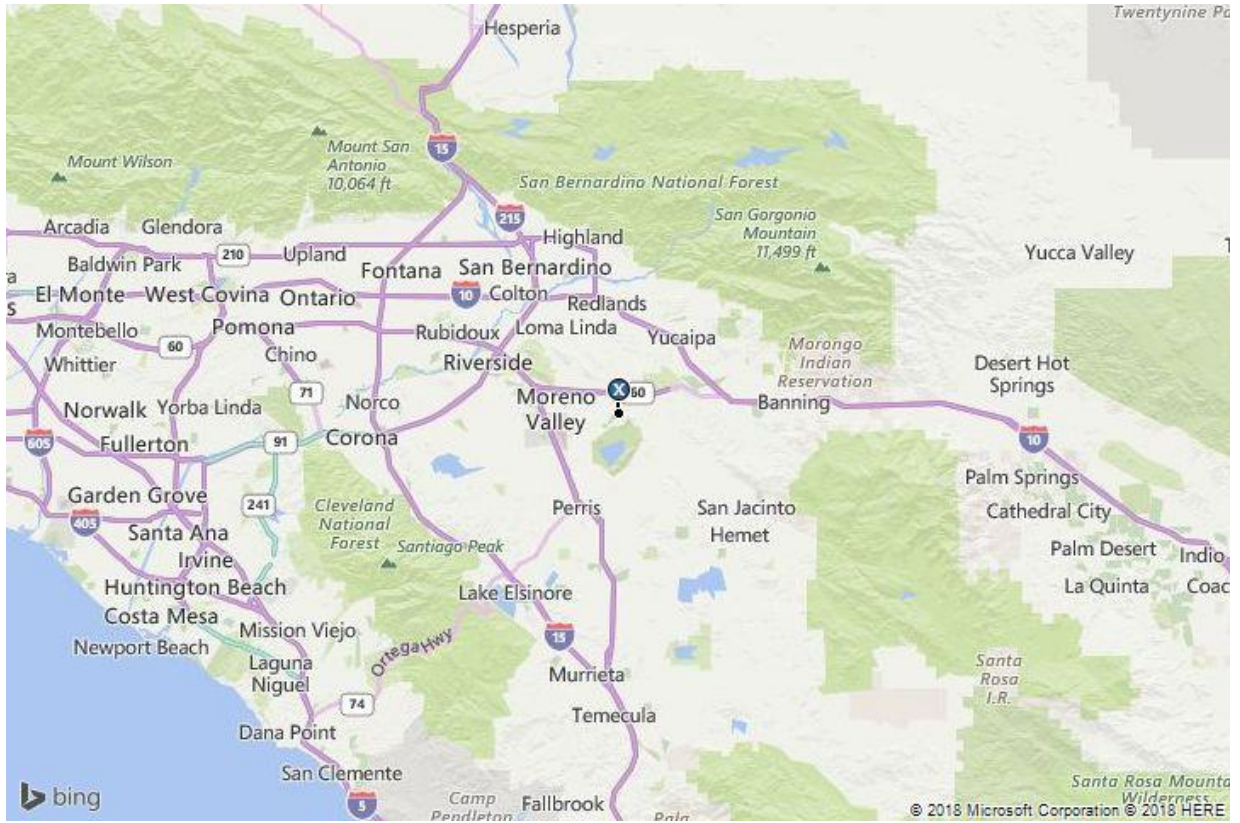
Riverside County offers innumerable recreational and cultural opportunities, including many public parks, schools, golf courses, museums and performing arts venues. Popular attractions include the Botanical Gardens at the University of California, Riverside; the historic Mission Inn in downtown Riverside; March Field Air Museum, an aviation museum near Moreno Valley and Riverside, adjacent to the March Air Reserve Base; Temecula Valley, a tourist destination in the southern part of the county with numerous wineries, wine tasting rooms, bed and breakfast inns and wedding venues; and Castle Park, an amusement park. Annual events in the county include the Festival of Lights in Riverside, known for its display of nearly three million Christmas lights; Ghost Walk Riverside; Temecula Valley Balloon and Wine Festival; and Harvest Wine Celebration.

Riverside County is home to multiple higher education institutions including, but not limited to, the University of California Riverside, California Baptist University, California Southern Law School, California State University San Bernardino and Mt. San Jacinto College.

### **Conclusion**

In general, Riverside County is one of the fastest growing areas in the state. Many new residents are coming from the more expensive metropolitan areas of Los Angeles and San Diego. The region offers diverse employment opportunities, numerous colleges and universities, extensive transportation routes, shopping centers, public services and recreational activities. Like most of the state and nation, Riverside County experienced rising unemployment and real estate market declines during the period of roughly 2008-2010. However, employment conditions have been improving since about 2011 and most real estate sectors are showing signs of recovery or expansion. As the economy continues to improve, the long-term outlook for the region is good.

### Area Map



## Surrounding Area Analysis

### Introduction

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as “a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.”

### Neighborhood Boundaries

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject property is located in Moreno Valley, Riverside County, California. The neighborhood boundaries can generally be described as Nason Street to the west, Moreno Valley Freeway (Highway 60) to the north, Theodore Street to the east and Cactus Avenue to the south. A map identifying the location of the property follows this section.

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### Subject's Immediate Surroundings

---

|       |  |
|-------|--|
| North | Older single-family residential development and undeveloped land |
| South | Single-family residential development (Ridgecrest Moreno Valley) |
| East  | Undeveloped land   |
| West  | Single-family residential development/undeveloped land           |

---

### Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

| <b>Surrounding Area Demographics</b> |               |               |               |                           |                      |
|--------------------------------------|---------------|---------------|---------------|---------------------------|----------------------|
| 2018 Estimates                       | 1-Mile Radius | 3-Mile Radius | 5-Mile Radius | 92555 (Moreno Valley, CA) | Riverside County, CA |
| Population 2010                      | 9,011         | 42,056        | 130,686       | 38,209                    | 2,189,641            |
| Population 2018                      | 10,698        | 48,521        | 144,354       | 44,657                    | 2,420,240            |
| Population 2023                      | 11,642        | 52,179        | 152,360       | 48,253                    | 2,551,967            |
| Compound % Change 2010-2018          | 2.2%          | 1.8%          | 1.3%          | 2.0%                      | 1.3%                 |
| Compound % Change 2018-2023          | 1.7%          | 1.5%          | 1.1%          | 1.6%                      | 1.1%                 |
| Households 2010                      | 2,666         | 11,453        | 33,953        | 10,596                    | 686,260              |
| Households 2018                      | 2,969         | 12,635        | 36,847        | 11,772                    | 748,446              |
| Households 2023                      | 3,188         | 13,457        | 38,736        | 12,578                    | 786,700              |
| Compound % Change 2010-2018          | 1.4%          | 1.2%          | 1.0%          | 1.3%                      | 1.1%                 |
| Compound % Change 2018-2023          | 1.4%          | 1.3%          | 1.0%          | 1.3%                      | 1.0%                 |
| Median Household Income 2018         | \$89,894      | \$75,840      | \$61,545      | \$80,438                  | \$63,524             |
| Average Household Size               | 3.6           | 3.8           | 3.9           | 3.8                       | 3.2                  |
| College Graduate %                   | 22%           | 18%           | 14%           | 19%                       | 21%                  |
| Median Age                           | 35            | 33            | 31            | 33                        | 36                   |
| Owner Occupied %                     | 77%           | 73%           | 68%           | 74%                       | 68%                  |
| Renter Occupied %                    | 23%           | 27%           | 32%           | 26%                       | 32%                  |
| Median Owner Occupied Housing Value  | \$315,196     | \$299,839     | \$256,570     | \$314,892                 | \$331,783            |
| Median Year Structure Built          | 2003          | 2002          | 1989          | 2003                      | 1989                 |
| Avg. Travel Time to Work in Min.     | 38            | 39            | 37            | 39                        | 35                   |

Source: Envirionics Analytics

As shown above, the current population within a 3-mile radius of the subject property is 48,521, and the average household size is 3.8. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Riverside County overall, the population within a 3-mile radius is projected to grow at a faster rate.

Median household income is \$75,840, which is higher than the household income for Riverside County. Residents within a 3-mile radius have a lower level of educational attainment than those of Riverside County, while median owner occupied home values are considerably lower.

According to the State of California Employment Development Department, the unemployment rate in Moreno Valley was 4.1% as of September 2018 (latest data available). This rate is slightly lower than the unemployment rate for Riverside County (4.4%), and in line with the unemployment rate for all of California (4.1%).

These demographic factors combined with the employment base discussed previously provide the basis of demand for single-family housing in this area.

### **Access and Linkages**

The subject property is located along Cactus Avenue, east of Moreno Beach Drive, which is a primary north-south roadway connecting the subject property with the 60 Freeway to the north and the southern portion of Moreno Valley to the south (via Iris Avenue). Cactus Avenue provides access to Interstate 215 approximately six miles west of the subject property. Interstate 215 is a primary north-south highway in the Inland Empire region of southern California, connecting Riverside to the north with Murrieta to the south. The 60 Freeway runs parallel to Interstate 10, functioning as an alternate east-west route in the area. Additionally, the subject property has good access to public transportation as there are several bus stops along major neighborhood thoroughfares. Air travel is

most easily achieved via the Ontario International Airport, located approximately 25 miles northwest of the subject property.

### Land Uses

The subject property's immediate area consists mainly of residential development. Most of the commercial development is situated along Alessandro Boulevard to the northeast.

Additionally, there is a significant amount of newer development northwest of the subject property, along Towngate Boulevard, south of the 60 Freeway. This area includes Towngate Crossing, a 237,000± square foot community shopping center with tenants such as, Lowe's, 99 Cent Store, Starbucks, Buffalo Wild Wings, Wendy's, Panera Bread and Jamba Juice. North of this center is Costco, 24 Hour Fitness, Applebees and Mimi's Café. Further north is a WinCo Foods and smaller local tenants. To the west of Towngate Crossing is the Moreno Valley Mall. West of the mall is Towngate Center. Tenants in this center include Burlington Coat Factory, BJ's Brewery, Olive Garden, Chili's, Chipotle, TJ Maxx, Ross, Carl's Jr., and several other small retail tenants.

A major development in the subject neighborhood is the March Air Reserve Base, located approximately five miles southwest of the subject property. While previously used and identified as the March Air Force Base, the site has been repurposed as part of the world-wide network of Army and Air Force Exchange Services. It stocks a variety of clothes, household goods and other items available for purchase by Army, Navy, Air Force and other military personnel. Major distribution warehouse facilities nearby include: Amazon, Sketchers, Harbor Freight Tools, Ross Dress for Less and Proctor & Gamble.

The subject property is located in the School District, which includes 1 online school, 1 preschool, 1 charter school, 1 special education school, 1 adult education school, 23 elementary schools, 6 middle schools and 6 high schools. The elementary school servicing the subject property is Ridge Crest Elementary School, which is situated just south of the subject property. For middle school, residents of the subject property can attend Landmark Middle School, located southwest of the subject. For high school, residents of the subject property can attend Vista Del Lago High School, located approximately three miles southwest of the subject property.

The University of California, Riverside campus is located on 1,900 acres in the suburban district of Riverside, approximately eight miles northwest of the subject. The university is consistently ranked as one of the most ethnically and economically diverse universities in the U.S. Additionally, Moreno Valley College is located approximately 3.5 miles southeast of the subject property. Moreno Valley College (MVC) is part of the Riverside Community College District and offers strong programs in health science, human, and public services. Enrollment is typically 7,000± students each semester.

The subject neighborhood includes two libraries, including Moreno Valley Public Library Mall Branch and Moreno Valley Public Library, both to the northeast.

There are several parks in the subject neighborhood, including Ridge Crest Park and Fairway Park. Cottonwood Golf Center, a 9-hole public golf course, is located approximately six miles northwest of the subject property, along Frederick Street and the Moreno Valley Ranch Golf Club is located south of

the subject property. Additionally, the Lake Perris State Recreation Area is located less than 3 miles south of the subject property. Many recreational activities can be enjoyed such as hiking, biking, water-skiing, boating, jet skiing, fishing, swimming, horseback riding and camping.

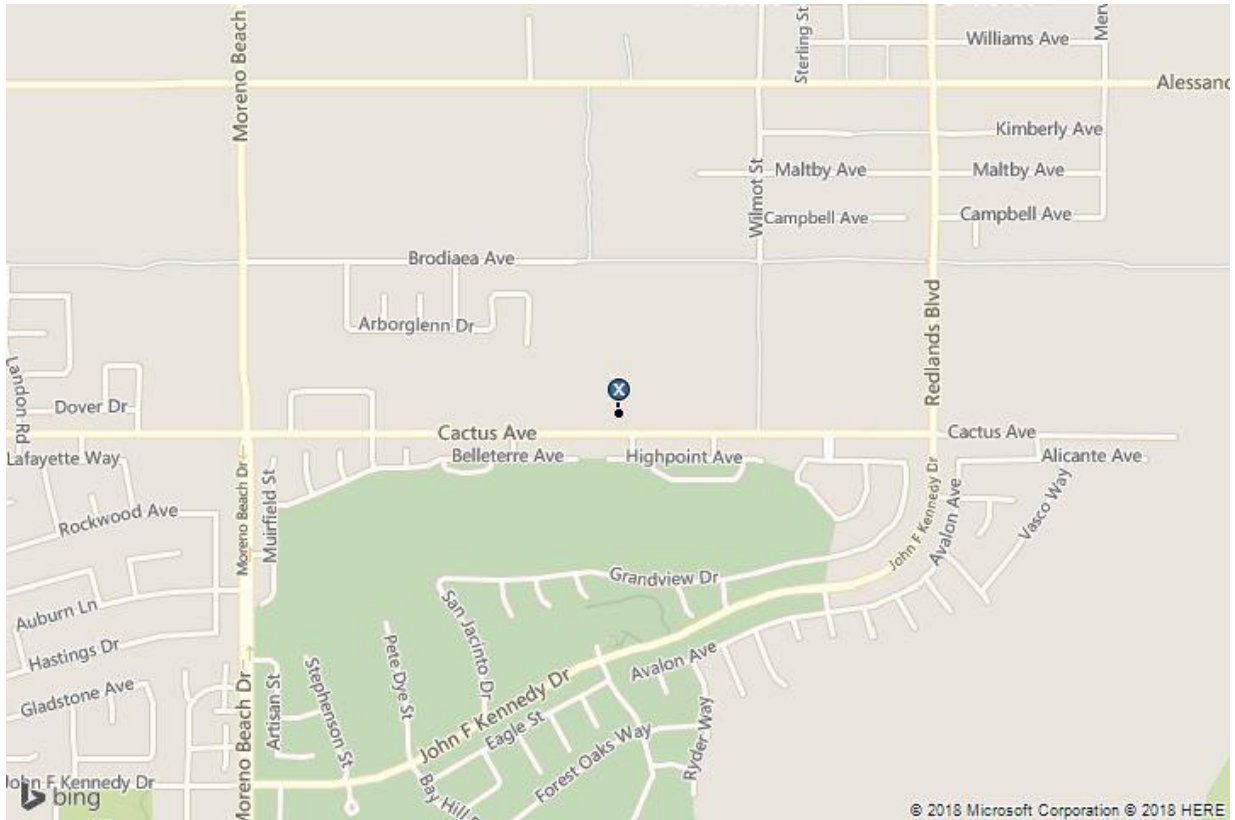
The closest hospitals are Riverside University Health System Medical Center, as well as Kaiser Permanente Moreno Valley, both located less than two miles of the subject property. Additionally, there are several fire stations in the subject property's neighborhood.

### **Outlook and Conclusions**

The subject property is located in the city of Moreno Valley, Riverside County, California. The neighborhood is primarily residential in nature, with commercial development along main thoroughfares in the neighborhood. The subject property benefits from good access to and from the neighborhood's main transportation routes and easy access to major highways. The subject area has experienced steady growth over the past five years, a trend that is expected to continue.



### Surrounding Area Map



## Residential Market Analysis

The subject property is located in the city of Moreno Valley, Riverside County. The subject property is located within an area of older home construction (1980s/1990s) to the south and east and newer development (2000s) to the west as well as undeveloped land for planned future development. Based on existing, surrounding homes and new projects under development, the subject characteristics best support projects designed for entry level to first-time (local) move-up buyers.

### Single-Family Building Permits

Single-family building permit for the city of Moreno Valley as well as Riverside County totals are shown in the following table.

| <b>Building Permits</b> |                              |                         |
|-------------------------|------------------------------|-------------------------|
| <b>Year</b>             | <b>City of Moreno Valley</b> | <b>Riverside County</b> |
| 2008                    | 132                          | 3,808                   |
| 2009                    | 114                          | 3,079                   |
| 2010                    | 91                           | 4,012                   |
| 2011                    | 23                           | 2,350                   |
| 2012                    | 4                            | 2847                    |
| 2013                    | 133                          | 4,328                   |
| 2014                    | 46                           | 5,058                   |
| 2015                    | 132                          | 4,325                   |
| 2016                    | 112                          | 5,136                   |
| 2017                    | 451                          | 5,827                   |
| 2018 (Sept.)            | 654                          | 5,744                   |

### Active New Home Projects Pricing and Absorption

There are 8 active projects (including the subject property) in the Moreno Valley market area. These projects are considered to be most competitive with the subject property given their locations and home and lot sizes. These projects are summarized in the tables on the following page, based on currently marketed data.

### Active Projects

| Project        | Community     | Developer           | Average Price | Avg. Home Size (SF) | Average Price/SF |
|----------------|---------------|---------------------|---------------|---------------------|------------------|
| Augusta        | Moreno Valley | William Lyon Homes  | \$409,900     | 2,443               | \$167.79         |
| Meadow Creek   | Moreno Valley | Lennar Homes        | \$413,813     | 2,301               | \$179.85         |
| Bella Cortina* | Moreno Valley | KB Homes            | \$385,590     | 2,302               | \$167.50         |
| Athens         | Moreno Valley | William Lyon Homes  | \$444,650     | 2,845               | \$156.29         |
| Daybreak       | Moreno Valley | KB Homes            | \$455,323     | 2,527               | \$180.18         |
| Hyde Park      | Moreno Valley | Beazer Homes        | \$327,637     | 1,769               | \$185.24         |
| Pacific Eagle  | Moreno Valley | Pacific Communities | \$524,990     | 3,506               | \$149.76         |
| Pacific Willow | Rancho Belago | Pacific Communities | \$501,657     | 3,292               | \$152.37         |
|                |               | Minimum             | \$327,637     | 1,769               | \$149.76         |
|                |               | Maximum             | \$524,990     | 3,506               | \$185.24         |
|                |               | Average             | \$432,945     | 2,623               | \$167.37         |

\*subject property

### Resale Pricing

The following table shows historical resale data for more recently built homes (2008 and newer) in the city of Moreno Valley. We restricted our search to homes with at least 1,300 square feet.

### Historical Home Sales History

| Time Period | Average price | % Change Average Price | Average Home Size (SF) | Average Price/Avg SF | % Change Price/SF | Quarter Sold | Avg. DOM* |
|-------------|---------------|------------------------|------------------------|----------------------|-------------------|--------------|-----------|
| 1Q 2016     | \$359,284     | --                     | 2,909                  | \$123.51             | --                | 11           | 81        |
| 2Q 2016     | \$350,728     | -2.4%                  | 2,570                  | \$136.47             | 10.5%             | 13           | 66        |
| 3Q 2016     | \$334,976     | -4.5%                  | 2,572                  | \$130.24             | -4.6%             | 11           | 95        |
| 4Q 2016     | \$371,702     | 11.0%                  | 2,799                  | \$132.80             | 2.0%              | 19           | 65        |
| 1Q 2017     | \$363,242     | -2.3%                  | 2,891                  | \$125.65             | -5.4%             | 18           | 67        |
| 2Q 2017     | \$391,210     | 7.7%                   | 3,135                  | \$124.79             | -0.7%             | 22           | 46        |
| 3Q 2017     | \$373,385     | -4.6%                  | 2,622                  | \$142.40             | 14.1%             | 15           | 61        |
| 4Q 2017     | \$386,444     | 3.5%                   | 2,749                  | \$140.58             | -1.3%             | 13           | 47        |
| 1Q 2018     | \$380,139     | -1.6%                  | 2,410                  | \$157.73             | 12.2%             | 15           | 51        |
| 2Q 2018     | \$408,957     | 7.6%                   | 2,690                  | \$152.03             | -3.6%             | 26           | 28        |
| 3Q 2018     | \$408,551     | -0.1%                  | 2,518                  | \$162.25             | 6.7%              | 32           | 37        |

\*Days on Market

### Ability to Pay

The Developer is constructing five floor plans ranging in size from 1,772 to 3,061 square feet. In this section, we will examine the ability to pay among prospective buyers for a representative price point of \$385,000, based on average price within the subdivision. First, we will estimate the required annual household income based on typical mortgage parameters in the subject property's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 4.50%, 360 monthly payments, and a 35% ratio for the housing costs as a percent of monthly

income (inclusive of principal, interest, all taxes and insurance). Property tax payments are accounted for in the analysis as well as homeowner's insurance. The following table shows the estimate of the annual household income that would be required to afford homes priced at the representative price point.

| <b>Income Required</b>          |           |                   |
|---------------------------------|-----------|-------------------|
| Home Price                      | \$385,000 |                   |
| Loan % of Price (Loan to Value) | 80%       |                   |
| Loan Amount                     | \$308,000 |                   |
| Interest Rate                   | 4.50%     |                   |
| Mortgage Payment                | \$1,561   |                   |
| Property Taxes                  | \$407     | Based on 1.26920% |
| Bond Payment                    | \$189     |                   |
| Property Insurance              | \$64      |                   |
| Total Monthly Obligation        | \$2,220   |                   |
| Mortgage Payment % of Income    | 35%       |                   |
| Monthly Income                  | \$6,344   |                   |
| Annual Income                   | \$76,130  |                   |

As shown above, the average income requirement for a new home priced at \$385,000 is \$76,130, which is right in line with then median household income for the subject property's immediate area (\$75,840) presented in the previous section. However, the Inland Empire services a broader demographic group and the likely buyer will be from outside of the 3-mile radius of the subject property.

The U.S. Congress enacted a new law on December 22, 2017, known as the "Tax Cuts and Jobs Act". The Tax Act makes significant changes to many aspects of the Tax Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within California and could adversely affect the sale of homes in the state. However, at this time there is neither a consensus nor a central prediction regarding the effect that the Tax Act may have on the cost of home ownership or the price of homes in the state. Based on input from regional and national homebuilders, they are not adjusting either pricing or sales pace projections due to the Tax Act. This analysis was completed without projections of either an enhancement or a diminution to the price of homes in the state.

## **Conclusion**

Demand for homes in the subject property's market area is considered to be healthy at the current time as indicated by the overall trend of building permit activity, new home sales prices and activity in recent quarters as well as the absorption rate within new home projects in the subject property's area.

## Property Analysis

### Land Description and Analysis

#### Land Description

|                         |                                     |
|-------------------------|-------------------------------------|
| Source of Land Area     | Public Records                      |
| Primary Street Frontage | Cactus Ave                          |
| Shape                   | Irregular                           |
| Corner                  | No                                  |
| Topography              | Generally level and at street grade |
| Drainage                | No problems reported or observed    |
| Environmental Hazards   | None reported or observed           |
| Ground Stability        | No problems reported or observed    |
| Flood Area Panel Number | 06065C-0770G                        |
| Date                    | August 28, 2008                     |
| Zone                    | X (Shaded)                          |
| Description             | Within 500-year floodplain          |
| Insurance Required?     | No                                  |

#### Zoning; Other Regulations

|                            |                                  |
|----------------------------|----------------------------------|
| Zoning Jurisdiction        | City of Moreno Valley            |
| Zoning Designation         | R-5                              |
| Description                | Suburban Residential (5 du/ac)   |
| Legally Conforming?        | Appears to be legally conforming |
| Zoning Change Likely?      | No                               |
| Permitted Uses             | Single-Family Residential        |
| Other Land Use Regulations | None reported or observed        |

#### Utilities

|             |                                      |
|-------------|--------------------------------------|
| Service     | Provider                             |
| Water       | Eastern Municipal Water District     |
| Sewer       | Eastern Municipal Water District     |
| Electricity | Moreno Valley Electric Utility (MVU) |
| Natural Gas | SoCalGas                             |
| Local Phone | Frontier, Spectrum, AT&T             |

### Entitlements

A summary of the current legal (entitlements) and physical status of the appraised properties is shown in the following table.

| <b>Entitlements</b>                                   |                   |
|---|-------------------|
| Description   | No.<br>Homes/Lots |
| Completed Single-Family Homes without Assessed Values | 57                |
| Partially Completed Single-Family Homes (Under        | 47                |
| Finished Single-Family Lots                           | <u>55</u>         |
| <b>Total</b>  | <b>159</b>        |

### **Off-site Improvements**

As of the date of inspection, all off-site improvements (streets, curbs, gutters, sidewalks, streetlights) were in place along major and interior roads.

### **Easements, Encroachments and Restrictions**

We have reviewed a preliminary title report prepared by First American Title Company dated July 20, 2017. The report identifies exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from easements, encroachments or restrictions and further assumes that the subject property has clear and marketable title.

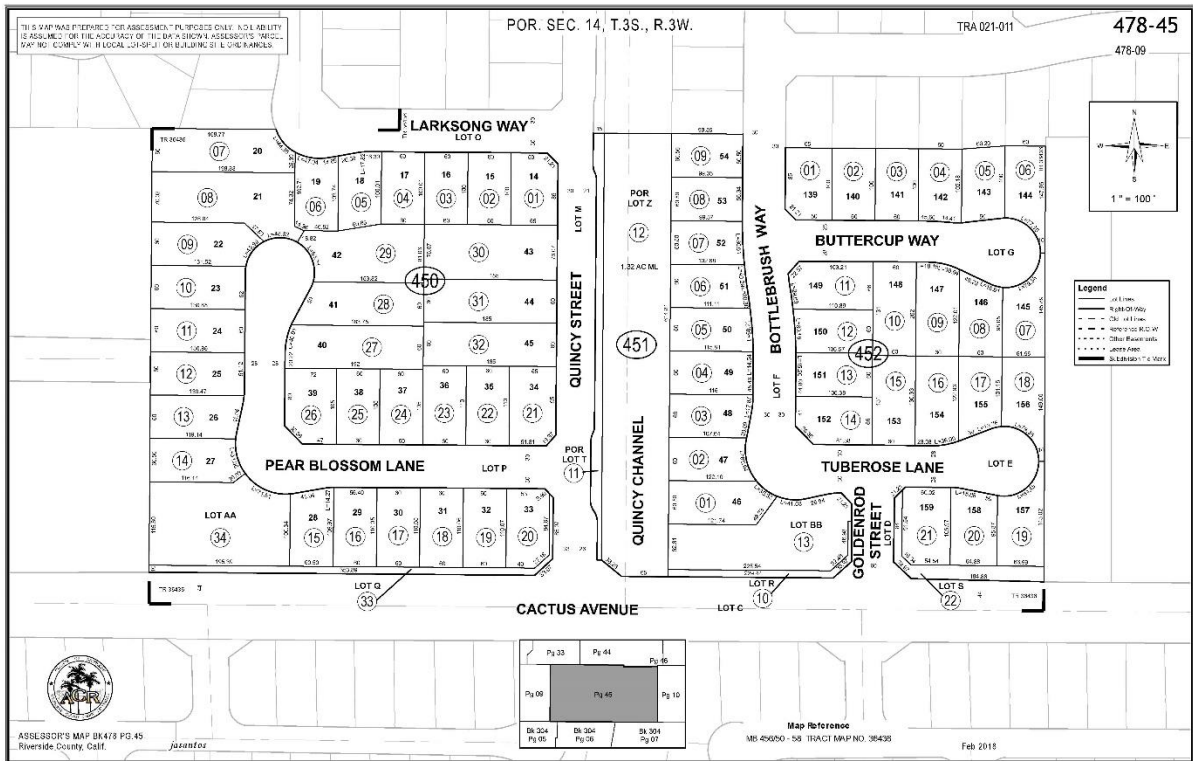
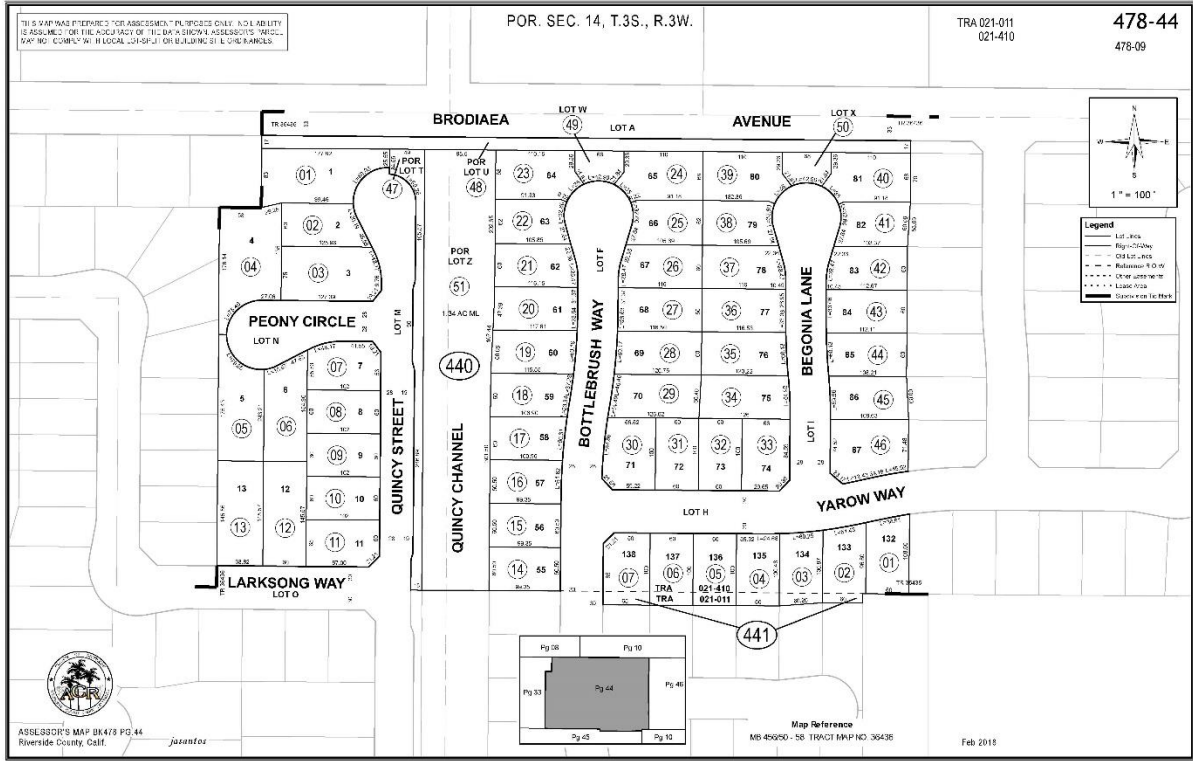
### **Seismic Hazards**

According to the Seismic Safety Commission, the subject property's site is located within Zone 4, which is considered to be the highest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject property is located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology. In general, a number of faults are located in southern California and throughout California; thus, the area is subject to severe ground shaking during earthquakes. Competitive sites face similar seismic risk.

### **Conclusion of Site Analysis**

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include single-family residential. We are not aware of any other particular restrictions on development.

Assessor's Parcel Maps















## Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

### Ad Valorem Taxes

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the remaining property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised properties. According to the Riverside County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.126920% based on assessed value.

### Special Assessments

All of the appraised properties are encumbered by the Special Tax Lien of CFD No. 2015-2. With respect to such special taxes, we have relied upon information provided by Special District Financing & Administration ("SDFA"), the school district's special tax consultant, for the annual special tax levy on the appraised properties, which are shown as follows:

| <b>CFD No. 2015-2</b>      |                                      |
|----------------------------|--------------------------------------|
| <b>Home Square Footage</b> | <b>Assigned Special Tax Per Unit</b> |
| < 2,500                    | \$2,262                              |
| 2,501 - 2,700              | \$2,374                              |
| 2,701 - 2,900              | \$2,481                              |
| > 2,901                    | \$2,588                              |

## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject property's site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### Highest and Best Use As If Vacant

#### Legally Permissible

The legal factors influencing the highest and best use of the appraised properties are primarily government regulations, such as zoning and building codes. The appraised properties are zoned and approved for single-family residential development uses. Overall, the legally permissible uses are to develop the appraised properties in accordance with the existing entitlements and land use designation (single-family residential), which have undergone extensive planning and review. A re-zone to any other land use is highly unlikely.

#### Physically Possible

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, offsite improvements, easements and soil and subsoil conditions. The legally permissible test has resulted in uses consistent with the existing entitlements (i.e., single-family development); at this point the physical characteristics are examined to see if they are suited for the legally permissible uses.

The physical characteristics of the appraised properties support development. The Bella Cortina project has good access and project roadways connect the various lots within the development. Public utilities are also in place to support development. Surrounding land uses are compatible and/or similar to the legally permissible use. Existing development in Bella Cortina provides support that soils are adequate for development. In summary, single-family residential uses are considered physically possible.

#### Financially Feasible

Financial feasibility depends on supply and demand influences. With respect to financial feasibility of single-family residential development, in recent months merchant builders have acquired unimproved lots in the area for near term construction, and there are multiple active projects in the area that demonstrate demand for new homes. Finished lots are transferring for prices that exceed the sum of unimproved lots and site development costs, which indicates completion of site development is financially feasible.

**Maximum Productivity**

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the appraised properties as vacant. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, the maximally productive use of the appraised properties, and its highest and best use as vacant, is for near term single-family residential development.

**Highest and Best Use as Improved**

Highest and best use of the property as improved pertains to the use that should be made in light of its current improvements.

In the case of undeveloped land under development, consideration must be given to whether it makes sense to demolish existing improvements (either on-site or off-site improvements) for replacement with another use. The time and expense to demolish existing improvements, re-grade, reroute utilities or re-map must be weighed against alternative uses. If the existing or proposed improvements are not performing well, then it may produce a higher return to demolish existing improvements, if any, and re-grade the site for development of an alternative use.

Based on the current condition, the improvements completed contribute to the overall property value, including those lots with home construction underway. The value of the subject property as improved exceeds its value as vacant less demolition. The highest and best use of the subject property as improved is for completion of the last remaining single-family homes and lots.

**Probable Buyer**

The probable buyer of the subject property (as vacant and improved single-family residential lots) is a merchant builder. The probable buyer of the completed homes are individual homeowners.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

The **extraction** technique is a method of estimating land value in which the depreciated cost of the improvements on an improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land.<sup>1</sup>

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

| <b>Approaches to Value</b>     |                          |                   |
|--------------------------------|--------------------------|-------------------|
| Approach                       | Applicability to Subject | Use in Assignment |
| Cost Approach                  | Applicable               | Utilized          |
| Sales Comparison Approach      | Applicable               | Utilized          |
| Income Capitalization Approach | Not Applicable           | Not Utilized      |

<sup>1</sup> The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 83.



## Market Valuation – Floor Plans

The market values of the subject property’s floor plans are estimated in this section. The objective of the analyses is to estimate the base price per floor plan, net of incentives, upgrades and lot premiums. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. The base price pertains to the typical lot size within the subject property (6,300 square feet). The sales comparison approach to value is employed in order to establish the market values for each floor plan.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate, 14<sup>th</sup> Edition* (Chicago: Appraisal Institute, 2013), “*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

As requested, we will estimate the market value of all five floor plans offered within the boundaries of CFD No. 2015-2, to apply to those lots with completed single-family homes *without* a complete assigned assessed improvement value. The objective of the analyses is to estimate the base price of the floor plans, net of incentives, upgrades and lot premiums. Base price pertains to the typical (median) lot size within the subject property. The sales comparison approach to value is employed in order to establish the market values for each floor plan.

A summary of the active projects within the boundaries of the CFD No. 2015-2 is provided below.

### Floor Plan Summary

| Floor Plan      | Living    |                  | Stories | Garage | Asking Price |
|-----------------|-----------|------------------|---------|--------|--------------|
|                 | Area (SF) | Floor Plan       |         |        |              |
| Residence One   | 1,772     | 3 bed / 2 bath   | One     | 2 Car  | \$361,990    |
| Residence Two   | 1,905     | 3 bed / 2 bath   | One     | 2 Car  | \$366,990    |
| Residence Three | 2,128     | 4 bed / 2 bath   | One     | 2 Car  | \$382,990    |
| Residence Four  | 2,617     | 4 bed / 2.5 bath | Two     | 2 Car  | \$396,990    |
| Residence Five  | 3,061     | 4 bed / 2.5 bath | Two     | 2 Car  | \$418,990    |

The comparable sales are summarized in the following table.

#### New Home Sale Summary

| No. | Location                               | Date    | Sale Price (Base) | Living Area (SF) | Sale Price Per SF | Floor Plan   | Year Built | Stories | Lot Size (SF) | Garage |
|-----|--|---------|-------------------|------------------|-------------------|--------------|------------|---------|---------------|--------|
| 1   | 28562 Bottlebrush Way<br>Moreno Valley | Apr-18  | \$398,490         | 2,128            | \$187             | 4 bd/ 2 ba   | 2018       | One     | 6,534         | 2 Car  |
| 2   | 28612 Buttercup Way<br>Moreno Valley   | Apr-18  | \$392,990         | 2,128            | \$185             | 3 bd/ 2 ba   | 2018       | One     | 6,534         | 2 Car  |
| 3   | Lot 137, Yarow Way<br>Moreno Valley    | Sep-18  | \$396,990         | 2,128            | \$187             | 3 bd/ 2 ba   | 2018       | One     | 6,098         | 2 Car  |
| 4   | Lot 130, Yarow Way<br>Moreno Valley    | Pending | \$397,990         | 2,128            | \$187             | 3 bd/ 2 ba   | Under Con. | One     | 6,969         | 2 Car  |
| 5   | 14383 Bottlebrush Way<br>Moreno Valley | May-18  | \$429,990         | 3,061            | \$140             | 4 bd/ 2.5 ba | 2018       | Two     | 6,098         | 2 Car  |
| 6   | 14274 Bottlebrush Way<br>Moreno Valley | Aug-18  | \$442,990         | 3,061            | \$145             | 4 bd/ 2.5 ba | 2018       | Two     | 7,840         | 2 Car  |
| 7   | Lot 124, Yarow Way<br>Moreno Valley    | Pending | \$445,990         | 3,061            | \$146             | 4 bd/ 2.5 ba | 2018       | Two     | 13,068        | 2 Car  |
| 8   | 14433 Bottlebrush Way<br>Moreno Valley | Apr-18  | \$379,990         | 1,905            | \$199             | 3 bd/ 2 ba   | 2017       | One     | 6,969         | 2 Car  |
| 9   | 14413 Bottlebrush Way<br>Moreno Valley | Apr-18  | \$377,990         | 1,905            | \$198             | 3 bd/ 2 ba   | 2018       | One     | 6,969         | 2 Car  |
| 10  | 14363 Bottlebrush Way<br>Moreno Valley | May-18  | \$376,990         | 1,905            | \$198             | 3 bd/ 2 ba   | 2018       | One     | 6,098         | 2 Car  |
| 11  | 28591 Yarow Way<br>Moreno Valley       | Aug-18  | \$383,990         | 1,905            | \$202             | 3 bd/ 2 ba   | 2018       | One     | 6,098         | 2 Car  |
| 12  | 14443 Bottlebrush Way<br>Moreno Valley | Apr-18  | \$372,990         | 1,772            | \$210             | 3 bd/ 2 ba   | 2017       | One     | 6,534         | 2 Car  |
| 13  | 28562 Bottlebrush Way<br>Moreno Valley | Apr-18  | \$373,990         | 1,772            | \$211             | 4 bd/ 2 ba   | 2018       | One     | 6,534         | 2 Car  |
| 14  | 28602 Buttercup Way<br>Moreno Valley   | Apr-18  | \$372,990         | 1,772            | \$210             | 3 bd/ 2 ba   | 2018       | One     | 6,098         | 2 Car  |
| 15  | 14373 Bottlebrush Way<br>Moreno Valley | Jun-18  | \$371,490         | 1,772            | \$210             | 3 bd/ 2 ba   | 2018       | One     | 6,098         | 2 Car  |
| 16  | 14414 Bottlebrush Way<br>Moreno Valley | Apr-18  | \$406,990         | 2,617            | \$156             | 4 bd/ 2.5 ba | 2018       | Two     | 6,534         | 2 Car  |
| 17  | 14393 Bottlebrush Way<br>Moreno Valley | Aug-18  | \$415,490         | 2,617            | \$159             | 4 bd/ 2.5 ba | 2018       | Two     | 6,098         | 2 Car  |
| 18  | 28582 Buttercup Way<br>Moreno Valley   | Jun-18  | \$418,490         | 2,617            | \$160             | 4 bd/ 2.5 ba | 2018       | Two     | 6,098         | 2 Car  |
| 19  | Lot 136, Yarow Way<br>Moreno Valley    | Sep-18  | \$411,490         | 2,617            | \$157             | 3 bd/ 2 ba   | 2018       | Two     | 6,098         | 2 Car  |

### Analysis and Adjustment of Sales

In order to estimate the market value for the five floor plans currently being marketed CFD No. 2015-2, the comparable transactions were adjusted to reflect the subject property with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject property, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject property and are adjusted upward. Adjustments are considered for the following factors, in the sequence shown below.

| Adjustment Factor       | Accounts For  | Comments   |
|-------------------------|---|--|
| Total Consideration     | Special tax encumbrances  | The comparables analyzed are all encumbered by similar tax rates and special assessments; thus, no adjustments are necessary.  |
| Upgrades and Incentives | The objective of the analysis is to estimate the base price per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. | Incentives and upgrades included in the sales have been considered and adjusted for in this analysis.  |
| Real Property Rights    | Leased fee, fee simple, leasehold, partial interest, etc.   | All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.   |
| Financing Terms         | Seller financing, or assumption of existing financing, at non-market terms.   | No adjustments were required for this factor.  |
| Conditions of Sale      | Extraordinary motivation of buyer or seller.  | All of the comparable transactions represent arm's-length, market transactions and do not require adjustments.   |
| Market Conditions       | Changes in the economic environment over time that affect the appreciation and depreciation of real estate.   | New home pricing has been relatively stable in the subject property's market area during the past year; thus, no adjustments are necessary, as all the comparables selected have transferred since April 2018. |

| Adjustment Factor | Accounts For  | Comments   |
|-------------------|---|--|
| Location          | Market or submarket area influences on sale price; surrounding land use influences. Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user.      | The comparables are located within comparable areas of the city of Moreno Valley and no adjustments are warranted for this category. |
| Lot Size          | The lot size adjustment pertains to the differences between the subject property's typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The amount of the adjustment used in the comparison of the base lot sizes comes from a survey of premiums paid for larger lots. | Considering the subject property's average lot size an adjustment factor is considered for those with appreciably larger lots.       |
| Lot Premiums      | Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Adjustments for lot position premiums would be in addition to lot size adjustments.  | The comparable sales have traditional lot configurations and no adjustments are warranted.   |

| <b>Adjustment Factor</b>                  | <b>Accounts For</b>  | <b>Comments</b>   |
|---|--|---|
| Design and Appeal/Quality of Construction | <p>Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeal to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices.</p> <p>Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit.</p> | <p>The comparables are similar to the subject property in regard to design and appeal.</p> <p>In terms of quality of construction, the subject property represents good construction quality. All of the comparable sales feature similar construction quality and do not require adjustments.</p>  |
| Age/Condition                             | Effective age; physical condition.   | When comparing resale to resale, the market generally reflects a difference of 1% per year of difference in effective age. We have applied a similar adjustment factor to the estimated effective age of the comparable sales. All of the sales represent new construction with a similar effective age as the subject property and do not require adjustments. |
| Number of Stories                         | For similar size units, the differences between the number of stories is a buyer preference. Typically, more stories result in additional building area and are accounted for in the size adjustment.  | All the comparable sales selected are of the same representative floor plan; thus, no adjustments are necessary.  |
| Parking/Garage                            | Differences in garage spaces typically affects value.  | The subject property's floor plan and all of the comparables offer a two car garage.  |

## Conclusion of Floor Plan Values

The comparable home sales reflect a range of price per square as follows:

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**Comparable Sale Ranges**


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| Floor Plan      | Living    |             |
|-----------------|-----------|-------------|
|                 | Area (SF) | Min. Max.   |
| Residence One   | 1,772     | \$210 \$211 |
| Residence Two   | 1,905     | \$198 \$202 |
| Residence Three | 2,128     | \$185 \$187 |
| Residence Four  | 2,617     | \$156 \$160 |
| Residence Five  | 3,061     | \$140 \$146 |

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A survey of other active subdivisions within the Moreno Valley market area is presented below:

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**Active Projects**


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| Project        | Community     | Developer           | Average Price | Avg. Home Size (SF) | Average Price/SF |
|----------------|---------------|---------------------|---------------|---------------------|------------------|
| Augusta        | Moreno Valley | William Lyon Homes  | \$409,900     | 2,443               | \$167.79         |
| Meadow Creek   | Moreno Valley | Lennar Homes        | \$413,813     | 2,301               | \$179.85         |
| Bella Cortina* | Moreno Valley | KB Homes            | \$385,590     | 2,302               | \$167.50         |
| Athens         | Moreno Valley | William Lyon Homes  | \$444,650     | 2,845               | \$156.29         |
| Daybreak       | Moreno Valley | KB Homes            | \$455,323     | 2,527               | \$180.18         |
| Hyde Park      | Moreno Valley | Beazer Homes        | \$327,637     | 1,769               | \$185.24         |
| Pacific Eagle  | Moreno Valley | Pacific Communities | \$524,990     | 3,506               | \$149.76         |
| Pacific Willow | Rancho Belago | Pacific Communities | \$501,657     | 3,292               | \$152.37         |
|                |               |                     | Minimum       | 1,769               | \$149.76         |
|                |               |                     | Maximum       | 3,506               | \$185.24         |
|                |               |                     | Average       | 2,623               | \$167.37         |

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\*subject property

Given the subject property's location and quality of construction, our market value conclusions for each floor plan offered within the Bella Cortina Development are considered reasonable and summarized in the following table.

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**Floor Plan Conclusions**


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| Floor Plan      | Living Area (SF) | Sale Price per SF | Conclusion of Base Value (Rd.) |
|-----------------|------------------|-------------------|--------------------------------|
| Residence One   | 1,772            | \$210             | \$370,000                      |
| Residence Two   | 1,905            | \$200             | \$380,000                      |
| Residence Three | 2,128            | \$187             | \$400,000                      |
| Residence Four  | 2,617            | \$158             | \$410,000                      |
| Residence Five  | 3,061            | \$145             | \$440,000                      |

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## Lot Valuation

In this section of the Appraisal Report, we will utilize the sales comparison approach and the extraction technique to estimate the market value of the subject property's remaining improved lots. The estimate of value assumes the lots would sell on a bulk, or wholesale, basis. That is, a group of lots would transfer in one transaction to a single buyer.

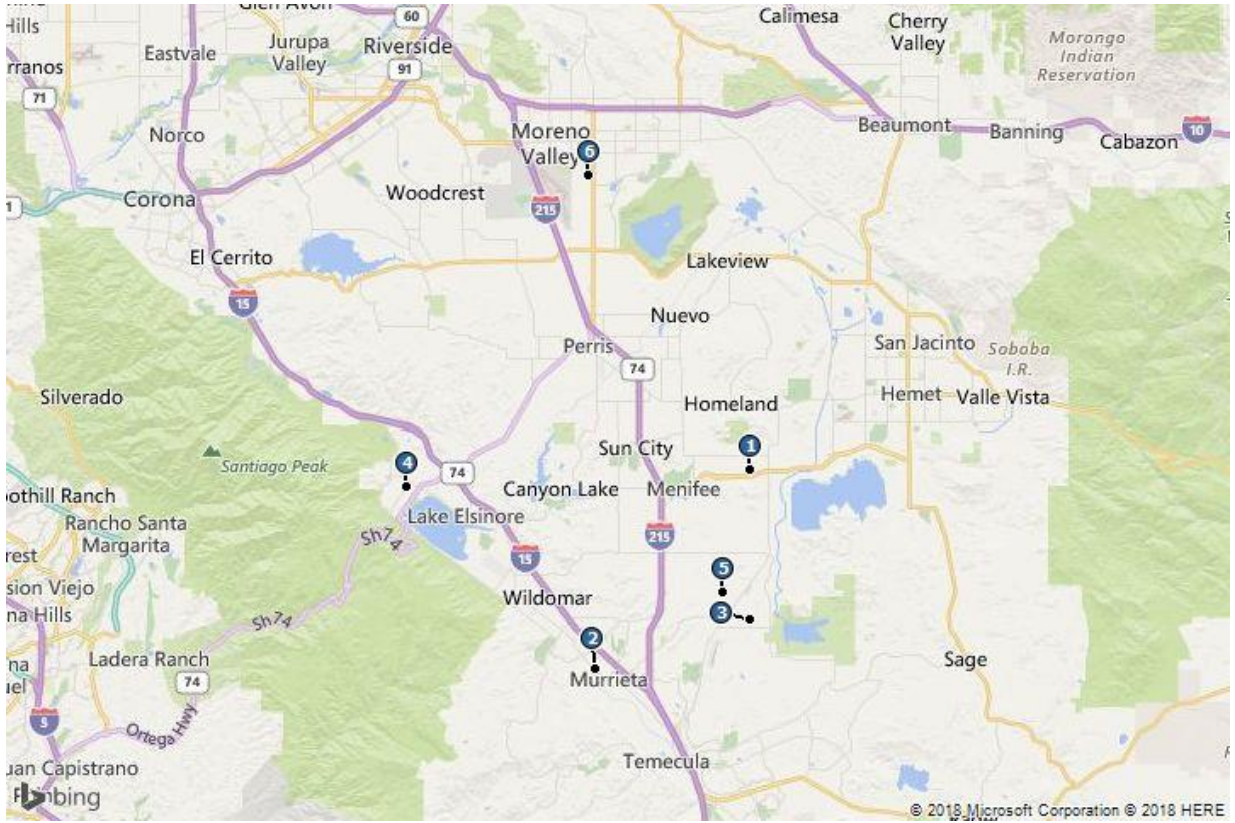
On the following page, we have arrayed comparable sales that have occurred in the Inland Empire market area, within, Riverside County. The summary table is accompanied by a map and followed by details of each comparable. The basis of analysis is price per lot. The comparable data includes finished and unimproved transactions (with adjustments for remaining site costs applied to the unimproved transactions).

| Summary of Comparable Land Sales   |   |                      |             |             |               |                  |                 |
|--|---|----------------------|-------------|-------------|---------------|------------------|-----------------|
| No.  | Name/Address  | Sale Date;<br>Status | Sale Price  | No. of Lots | Price per Lot | Typical Lot Size | Lot Dev. Status |
| 1  | Creekside Subdivision<br>Olive Ave.<br>Winchester<br>Riverside County<br>CA   | Dec-17<br>Closed     | \$6,200,000 | 112         | \$55,357      | 6,000            | Nearly finished |
| <p><i>Comments: This comparable is the December 2017 purchase of 112 nearly finished lots within the Creekside Subdivision in Winchester, Riverside County. According to marketing materials for the sale, costs to finish were reportedly \$58,000 per lot, net of \$26,000 in CFD proceeds (fee credits). According to public records, KB Home acquired the lots for \$55,357, indicating a finished lot value of \$113,357 per lot.</i></p> |   |                      |             |             |               |                  |                 |
| 2  | Murrieta 64<br>Washington Ave.<br>Murrieta<br>Riverside County<br>CA  | Sep-17<br>Closed     | \$5,525,000 | 64          | \$86,328      | 3,200            | Unimproved      |
| <p><i>Comments: This property is the September 2017 acquisition of land with final map recorded for 64 single-family residential lots with a typical lot size of 3,200 square feet. Finishing costs were reported at \$98,665.</i></p>   |   |                      |             |             |               |                  |                 |
| 3  | Turtle Ranch Subdivision<br>Thompson Rd.<br>Winchester<br>Riverside County<br>CA                                      | Sep-17<br>Closed     | \$2,150,000 | 51          | \$42,157      | 10,000           | Unimproved      |
| <p><i>Comments: This comparable is the September 2017 sale of 51 unimproved lots in Winchester, Riverside County, within the Temecula Valley Unified School District. The typical lot size is 10,000 square feet. Estimated costs to complete, including fees, is \$100,000, suggesting a finished lot price of \$142,157 per lot.</i></p>   |   |                      |             |             |               |                  |                 |
| 4  | McKenna Pointe Subdivision<br>Machado St.<br>Lake Elsinore<br>Riverside County<br>CA                                  | Apr-17<br>Closed     | \$5,700,000 | 81          | \$70,370      | 8,500            | Blue Top        |
| <p><i>Comments: This comparable is the April 2017 sale of 81 blue top lots in Lake Elsinore, Riverside County. According to a representative of the buyer, D.R. Horton, Inc., the average lot size is 8,500 square feet and finishing costs were reportedly \$58,130 per lot, for a finished lot indicator of \$128,500 per lot.</i></p>   |   |                      |             |             |               |                  |                 |
| 5  | Spencer's Crossing (Tracy 32290-1)<br>N/O Baxter Rd., W/O Spencer's Crossing Pl<br>Murrieta<br>Riverside County<br>CA | Dec-16<br>Closed     | \$6,811,063 | 82          | \$83,062      | 8,400            | Nearly Finished |
| <p><i>Comments: This comparable represents the December 2016 sale of 82 lots within the Spencer's Crossing master planned community. The buyer, Brookfield Residential, acquired 82 nearly finished lots and is marketing the Juniper subdivision with homes ranging in size from 3,212 to 4,091 square feet on a typical lot size of 8,400 SF. The costs to complete (developments costs</i></p>  |   |                      |             |             |               |                  |                 |
| 6  | Augusta Subdivision<br>Gentian Ave.<br>Moreno Valley<br>Riverside County<br>CA  | Jun-16<br>Closed     | \$4,798,000 | 140         | \$34,271      | 7,350            | Unimproved      |
| <p><i>Comments: This transaction represents the sale of 140 unimproved lots, with a typical size of 7,350 SF, to RSI Communities (William Lyon Homes). The cost to complete was \$111,399/lot; permits and fees due at BP are \$3,104 on average. The merchant builder is constructing five floor plans ranging in size from 2,107 to 2,679 square feet. Typical special assessments are \$2,316</i></p>                                       |   |                      |             |             |               |                  |                 |
| <b>Subject Property</b>  |   |                      |             | 159         | 6,300         |                  |                 |
| Community Facilities District No. 2015-2<br>(Bella Cortina)<br>Moreno Valley, CA   |   |                      |             |             |               |                  |                 |





### Comparable Land Sales Map



## Adjustment Factors

The sales are compared to the subject property and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

| <b>Adjustment Factors</b> |  |
|---------------------------|--|
| Remaining Site Dev. Cost  | We apply adjustments for remaining site development costs (if any).  |
| Effective Sale Price      | Accounts for atypical economics of a transaction, such as demolition cost, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis.  |
| Real Property Rights      | Fee simple, leased fee, leasehold, partial interest, etc.  |
| Financing Terms           | Seller financing, or assumption of existing financing, at non-market terms.  |
| Conditions of Sale        | Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction.   |
| Market Conditions         | Changes in the economic environment over time that affect the appreciation and depreciation of real estate.  |
| Location                  | Market or submarket area influences on sale price; surrounding land use influences.  |
| Location/Community Appeal | Adjustments are applied where necessary to account for differences in desirability of communities.   |
| Number of Lots            | Generally, there is an inverse relationship between the number of lots and price per lot such that larger projects (with a greater number of lots) achieve a lower price per lot and smaller projects (with fewer lots) achieve a higher price per lot.  |
| Lot Size (Typical)        | Adjustments for differences in lot size between the comparables and subject property are estimated by applying a lot size adjustment factor to difference in lot size. The amount of the adjustment used in the comparison of the base lot sizes comes from a survey of premiums paid for larger lots. |
| Lot Premiums/Discount     | Differences in anticipated lot premiums and/or discounts (cul-de-sac, corner, inverted corner).  |
| Zoning and Entitlements   | The specific level of governmental approvals attained pertaining to development of a site.   |

When considering market conditions, we note that the sales took place from June 2016 to December 2017, and that market conditions generally have been stable to strengthening over this period through the effective date of value.

## Analysis and Adjustment of Sales

Our analysis of the comparable sales is described in the following paragraphs.

**Land Sale 1** is similar in number of lots and typical lot size; additionally, this comparable represents the most recent transaction. However, a slight upward adjustment is applied for location as it is located further from prime transportation and supporting commercial services.

**Land Sale 2** is located in Murrieta, which is considered a superior location to the subject property's in terms of property values and median household income levels; a downward adjustment is warranted. Additionally, an upward adjustment is applied for typical lot size, as this comparable has an appreciably smaller typical lot size. Overall, this comparable is considered superior compared to the subject property.

**Land Sale 3** receives a downward adjustment as it is located within a desirable area of French Valley, which is considered superior compared to the subject property. Additionally, as this comparable has a typical lot size of 10,000 square feet, a downward adjustment is warranted. Overall, this comparable is considered slightly superior to the subject property.

**Land Sale 4** receives an upward adjustment for inferior market conditions, as this comparable transferred in early 2017 and a downward adjustment for larger lot size. Overall, this comparable is considered relatively similar to the subject property.

**Land Sale 5** receives upward adjustments for both market conditions and location. Conversely, a downward adjustment is applied to account for larger lot size.

**Land Sale 6** is adjusted upward for market conditions and downward for slightly larger typical lot size. However, this comparable is located within a slightly superior area as the subject property due to proximity to employment and services.

The following table summarizes the adjustments we make to the comparable sales.

| <b>Land Sales Adjustment Grid</b> |  |                       |                     |                          |                            |  |   |
|-----------------------------------|--|-----------------------|---------------------|--------------------------|----------------------------|--|---|
|                                   | <b>Subject</b>   | <b>Comparable 1</b>   | <b>Comparable 2</b> | <b>Comparable 3</b>      | <b>Comparable 4</b>        | <b>Comparable 5</b>                          | <b>Comparable 6</b>                       |
| Name                              | Community Facilities District No. 2015-2 (Bella Cortina) | Creekside Subdivision | Murrieta 64         | Turtle Ranch Subdivision | McKenna Pointe Subdivision | Spencer's Crossing (Tracy 32290-1)           | Augusta Subdivision                       |
| Address                           | Tuberose Ln.   | Olive Ave.            | Washington Ave.     | Thompson Rd.             | Machado St.                | N/O Baxter Rd., W/O Spencer's Crossing Pkwy. | Gentian Ave.                              |
| City                              | Moreno Valley  | Winchester            | Murrieta            | Winchester               | Lake Elsinore              | Murrieta                                     | Moreno Valley                             |
| County                            | Riverside  | Riverside             | Riverside           | Riverside                | Riverside                  | Riverside                                    | Riverside                                 |
| Sale Date                         |  | Dec-17                | Sep-17              | Sep-17                   | Apr-17                     | Dec-16                                       | Jun-16                                    |
| Sale Status                       |  | Closed                | Closed              | Closed                   | Closed                     | Closed                                       | Closed                                    |
| Sale Price                        |  | \$6,200,000           | \$5,525,000         | \$2,150,000              | \$5,700,000                | \$6,811,063                                  | \$4,798,000                               |
| Number of Lots                    | 159  | 112                   | 64                  | 51                       | 81                         | 82   | 140                                       |
| Price per Lot                     |  | \$55,357              | \$86,328            | \$42,157                 | \$70,370                   | \$83,062                                     | \$34,271                                  |
| Remaining Site Development        |  | \$58,000              | \$98,665            | \$100,000                | \$58,130                   | \$9,271                                      | \$111,399                                 |
| <b>Price per Lot</b>              |  | <b>\$113,357</b>      | <b>\$184,993</b>    | <b>\$142,157</b>         | <b>\$128,500</b>           | <b>\$92,333</b>                              | <b>\$145,670</b>                          |
| Property Rights                   |  | Fee Simple            | Fee Simple          | Fee Simple               | Fee Simple                 | Fee Simple                                   | Fee Simple                                |
| Adjustment                        |  | =                     | =                   | =                        | =                          | =  | =   |
| Financing Terms                   |  | Cash to seller        | Cash to seller      | Cash to seller           | Cash to seller             | Cash to seller                               | Cash to seller - buyer obtained financing |
| Adjustment                        |  | =                     | =                   | =                        | =                          | =  | =   |
| Conditions of Sale                |  | Market                | Market              | Market                   | Market                     | Market                                       | Market                                    |
| Adjustment                        |  | =                     | =                   | =                        | =                          | =  | =   |
| Market Conditions                 | 11/1/2018  | Dec-17                | Sep-17              | Sep-17                   | Apr-17                     | Dec-16                                       | Jun-16                                    |
| Adjustment                        |  | =                     | =                   | =                        | +                          | +  | +   |
| Location/Community Appeal         | Moreno Valley  | Winchester            | Murrieta            | Winchester               | Lake Elsinore              | Murrieta                                     | Moreno Valley                             |
| Adjustment                        |  | +                     | ---                 | -                        | =                          | ++   | -   |
| Number of Lots                    | 159  | 112                   | 64                  | 51                       | 81                         | 82   | 140                                       |
| Adjustment                        |  | =                     | =                   | =                        | =                          | =  | =   |
| Lot Size (Typical)                | 6,300  | 6,000                 | 3,200               | 10,000                   | 8,500                      | 8,400  | 7,350                                     |
| Adjustment                        |  | =                     | +                   | -                        | -                          | -  | -   |
| Lot Premiums/Discounts            | Average  | Similar               | Similar             | Similar                  | Similar                    | Similar                                      | Similar                                   |
| Adjustment                        |  | =                     | =                   | =                        | =                          | =  | =   |
| Zoning/Entitlement                | Approved   | Similar               | Similar             | Similar                  | Similar                    | Similar                                      | Similar                                   |
| Adjustments                       |  | =                     | =                   | =                        | =                          | =  | =   |
| <b>Overall Adjustment</b>         |  | <b>Sl. Inferior</b>   | <b>Superior</b>     | <b>Sl. Superior</b>      | <b>Similar</b>             | <b>Inferior</b>                              | <b>Sl. Superior</b>                       |



**Conclusion of Value (per lot) – Sales Comparison Approach**

The market data set consists of various sales that are considered reasonable indicators of market value for the fee simple interest in the subject property. After accounting for remaining site development costs, the data set reflects an unadjusted range of \$92,333 - \$184,993 per lot.

Based upon the analysis presented, a ranking analysis of the subject property and the comparable sales is in the table below:

| <b>Bulk Lot Ranking Summary</b> |           |                               |                |
|---------------------------------|-----------|-------------------------------|----------------|
| Property                        | Sale Date | \$/Loaded Lot<br>(Unadjusted) | Net Adjustment |
| Comparable 2                    | Sep-17    | \$184,993                     | Superior       |
| Comparable 6                    | Jun-16    | \$145,670                     | Sl. Superior   |
| Comparable 3                    | Sep-17    | \$142,157                     | Sl. Superior   |
| <b>Subject Property</b>         |           | <b>\$130,000</b>              |                |
| Comparable 4                    | Apr-17    | \$128,500                     | Similar        |
| Comparable 1                    | Dec-17    | \$113,357                     | Sl. Inferior   |
| Comparable 5                    | Dec-16    | \$92,333                      | Inferior       |

As shown, the improved lot value indicator for the subject property is estimated to be generally similar to Comparable 4, lower than Comparables 2, 3 and 6, and higher than Comparables 1 and 5. As such, an improved lot indicator of **\$130,000** per lot is concluded for the subject property.

The next section of the report will be an extraction analysis.



## Extraction Analysis

As support for the estimate of finished lot value concluded in the sales comparison approach we utilize an extraction (residual) analysis that takes into account home prices, direct and indirect construction costs, accrued depreciation and developer's incentive in order to arrive at an estimate of finished lot value. The elements of the extraction technique are discussed below.

## Revenue

In order to estimate revenue from a typical floor plan, we will utilize the concluded home value for the 2,155 square foot floor plan, which was previously estimated at \$400,000, or \$186 per square foot.

## Expense Projections

As part of an ongoing effort to assemble market information, the table below reflects survey responses and developer budget information for numerous single-family residential subdivisions throughout California.

| Developer Survey         |             |              |         |                     |                    |                |                  |                      |                |                |                      |                 |
|--------------------------|-------------|--------------|---------|---------------------|--------------------|----------------|------------------|----------------------|----------------|----------------|----------------------|-----------------|
| Developer Classification | Budget Date | No. of Units | Quality | Avg. Home Size (SF) | Avg. Lot Size (SF) | Direct Cost/SF | Indirect Cost/SF | Indirect % of Direct | Cost per Model | G & A % of Rev | Mkt & Sales % of Rev | Profit % of Rev |
| Local                    | 2016        | 32           | Good    | 2,614               | 5,937              | \$72.46        | \$8.79           | 12%                  | \$27,372       | 2.0%           | 5.1%                 | 8.8%            |
| Local                    | 2016        | 35           | Avg     | 1,946               | 3,825              | \$70.73        | \$12.63          | 18%                  | \$36,773       | 3.0%           | 3.5%                 | 9.7%            |
| Local                    | 2016        | 29           | Avg     | 2,273               | 5,325              | \$73.98        | \$21.45          | 29%                  | N/Av           | 2.5%           | 4.4%                 | 15.6%           |
| Local                    | 2015        | 35           | Avg     | 1,829               | 2,000              | \$92.28        | N/Av             | N/Av                 | \$50,000       | 1.0%           | 3.0%                 | N/Av            |
| Regional                 | 2015        | 32           | Good    | 2,234               | 6,709              | \$75.95        | \$10.36          | 14%                  | \$145,838      | 5.0%           | 4.0%                 | 11.6%           |
| Regional                 | 2015        | 31           | Avg/G   | 2,450               | 5,000              | \$64.97        | \$4.08           | 6%                   | N/Av           | N/Av           | 4.2%                 | 8.4%            |
| Local                    | 2015        | 10           | Good    | 2,513               | 9,547              | \$77.90        | N/Av             | N/Av                 | N/Av           | N/Av           | N/Av                 | N/Av            |
| Local                    | 2015        | 8            | Avg     | 2,250               | 8,358              | \$89.25        | \$6.01           | 7%                   | N/Av           | N/Av           | 5.4%                 | 18.8%           |
| Local                    | 2014        | 19           | Good    | 2,891               | 8,772              | \$68.50        | \$8.88           | 13%                  | N/Av           | N/Av           | 4.0%                 | 18.0%           |

Information from the survey above will contribute to the estimate of development expenses classified as follows.

## General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

## Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject property's market area is 5.0% to 6.5%. A figure of 6.0% (3.0% for marketing and 3.0% for sales) is estimated in the marketing and sales expense category.

## Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Recent conversations with homebuilders confirm construction costs have increased over the last 12 months; consequently, based on the cost comparables, and considering the product line under development, a direct cost estimate of \$75 per square foot is applied to the 2,155 square foot home.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 15% is considered reasonable for the subject property.

## Permits and Fees

According to information available from the city of Moreno Valley, building permits average approximately \$3,104 per home.

## Accrued Depreciation

For new construction on the subject property, an allocation for depreciation (physical, functional, or economic) is not applicable.

## Developer's Incentive

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. This is consistent with our survey presented earlier in

this section, which ranged from 8.4% to 18.8%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Approved entitlements
- Anticipated completion of off-site development (assumed for analysis only)
- Good transportation linkages
- Steady pricing and steady absorption

There are generally few “negative” attributes associated with the subject property, other than the potential for deterioration in market conditions in the residential sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.). The prior table at the beginning of the Expense Projections discussion includes survey results for profit expectations of active home builders in the region.

Based on the preceding discussion and developer surveys, we have concluded an estimate of 12% for developer’s incentive.

## **Conclusion**

Our estimates of finished lot value for the subject property’s lots via the extraction analysis is presented on the as follows:



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**Extraction Analysis**


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**Revenue**

|  |          |           |
|--|----------|-----------|
| Average Floor Plan Size                  | 2,128 SF |           |
| Typical Home Price (Total consideration) |          | \$400,000 |

**Expense Projections**

|                        |                      |                  |
|------------------------|----------------------|------------------|
| G & A Cost @           | 3.0% of Retail Value | \$12,000         |
| Marketing/Sales @      | 6.0% of Retail Value | \$24,000         |
| Average Direct Costs @ | \$75.00 /SF          | \$159,600        |
| Indirect Cost @        | 15.0% of Direct Cost | \$23,940         |
| Permits and Fees       | \$3,104 Per Lot      | \$3,104          |
| Developer's Incentive  | 12% of home price    | \$48,000         |
|                        |                      | <b>\$270,644</b> |
| Residual Lot Value     |                      | \$129,356        |
|                        | <b>Rd.</b>           | <b>\$129,000</b> |

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**Reconciliation of Lot Value**

The sales comparison approach indicated \$130,000 per finished lot, while the extraction technique was \$127,000 per finished lot. Both methods are credible and supported, but given the quality and quantity of the data in the sales comparison approach, this method of valuation is deemed more credible. As such, our conclusion of value is \$130,000 per finished lot, in bulk. The improved lot value will be assigned to each Assessor's parcel within CFD No. 2015-2, including those parcels currently under construction. Given the number of lots comprising the KB Home ownership, no further discounting is warranted. Please refer to the Market Value by Assessor's Parcel in the Addenda.

**Final Conclusions of Value, by Component**

The preceding analyses provided indications of value for the completed single-family homes (based on a not-less-than market value of the five floor plans currently being marketed within CFD No. 2015-2) and improved single-family lots. Using the indications of value, the following table reflects the cumulative, or aggregate, value of the appraised properties within CFD No. 2015-2 (a breakdown of market value by assessor's parcel is presented in the Addenda to this Appraisal Report):

As previously described, the appraised properties comprise 60 completed single-family homes, including three model homes, within the boundaries of CFD No. 2015-2; however, of the 60 completed homes, 34 homes were sold to individual homeowners; though, according to the Assessor's Tax Roll provided for this analysis, all are identified as being owned by the merchant builder (KB Home). Further, 44 lots are currently under construction with single-family homes. The balance of CFD No. 2015-2, 55 lots, represent improved lots ready for home construction. As the estimate of market value for the 55 improved lots and 34 homes under construction (less than 80% complete) is based on a bulk value per lot, the 10 partially complete homes (at least 80% complete) and the 26 completed homes held by KB Home, including three model homes, could sell within 12 months to individual homeowners, it is our opinion no further discounting of the properties held by the merchant builder (KB Home) is warranted.

| <b>Conclusions of Value, by Component</b>                      |                       |                     |                        |
|--|-----------------------|---------------------|------------------------|
| <b>Component</b>   | <b>No. of Parcels</b> | <b>Market Value</b> | <b>Aggregate Value</b> |
| <b>Completed Homes</b>   |                       |                     |                        |
| Individual Homeowners  |                       |                     |                        |
| Residence One  | 6                     | \$370,000           | \$2,220,000            |
| Residence Two  | 7                     | \$380,000           | \$2,660,000            |
| Residence Three  | 11                    | \$400,000           | \$4,400,000            |
| Residence Four   | 7                     | \$410,000           | \$2,870,000            |
| Residence Five   | <u>3</u>              | \$440,000           | <u>\$1,320,000</u>     |
| <i>Subtotal</i>  | <i>34</i>             |                     | <i>\$13,470,000</i>    |
| KB Home  |                       |                     |                        |
| Residence One  | 4                     | \$370,000           | \$1,480,000            |
| Residence Two  | 6                     | \$380,000           | \$2,280,000            |
| Residence Three  | 6                     | \$400,000           | \$2,400,000            |
| Residence Four   | 4                     | \$410,000           | \$1,640,000            |
| Residence Five   | <u>6</u>              | \$440,000           | <u>\$2,640,000</u>     |
| <i>Subtotal</i>  | <i>26</i>             |                     | <i>\$10,440,000</i>    |
| Homes Under Construction                                       | 44                    | Varies              | \$7,612,000            |
| Improved Lots  | 55                    | \$130,000           | \$7,150,000            |
| <b>Cumulative, or Aggregate, Value of Appraised Properties</b> | <b>159</b>            |                     | <b>\$38,672,000</b>    |

## Final Opinion of Value

As a result of our analysis, it is our opinion the cumulative, or aggregate, values of the appraised properties, in accordance with the assumptions and conditions set forth in the attached document, as of November 1, 2018, is not less than:

| <b>Value Conclusion</b>                              |                |                     |
|--|----------------|---------------------|
| Appraisal Premise                                    | No. of Parcels | Aggregate Value     |
| Not-Less-Than Market Value per Home                  | 60             | \$23,910,000        |
| Market Value - Improved Single-Family Lot*           | 99             | \$14,762,000        |
| <b>Total Aggregate Value of Appraised Properties</b> | <b>159</b>     | <b>\$38,672,000</b> |

\*Includes 47 lots under home construction

## Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The estimate of market value accounts for the impact of the lien of CFD No. 2015-2 of the special taxes securing the Bonds.

## Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local land market, it is our opinion that the probable exposure time for the subject property at the concluded market value / values stated previously is 12 months.

## Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject property in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject property's marketing period at 12 months.

## Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, made a personal inspection of the property that is the subject of this report. Kevin K. Ziegenmeyer, MAI, and Kari Tatton have not personally inspected the subject property.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

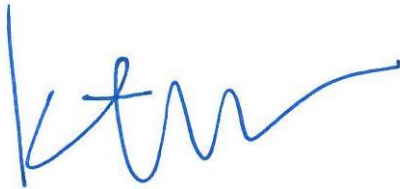
14. As of the date of this report, Eric Segal, MAI, and Kevin K. Ziegenmeyer, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558



Kevin K. Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567



Kari Tatton  
Certified General Real Estate Appraiser  
California Certificate # 3002218

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
  8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
  9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
  10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
  11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
  12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
  13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
  14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
  15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
  16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
  17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
  19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
  20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
  21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
  22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
  23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
  24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the



- appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
  26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
  27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
  28. The appraisal is also subject to the following:

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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The estimate of market value accounts for the impact of the lien of CFD No. 2015-2 of the special taxes securing the Bonds.
-

**Addendum A**  
**Appraiser Qualifications**



# Eric Segal, MAI

## Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

## Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

## Licenses

California, Certified General, AG026558, Expires February 2021

Nevada, Certified General, A.0207666-CG, Expires January 2019

## Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Self-Storage Economics and Appraisal Seminar

Appraisal Litigation Practice and Courtroom Management

Hotel Valuations: New Techniques for today's Uncertain Times

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications

Supervisor-Trainee Course for California

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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Eric A. Segal**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

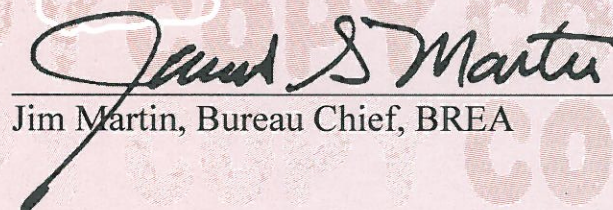
“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2017

Date Expires: February 18, 2019

  
Jim Martin, Bureau Chief, BREA



Business, Consumer Services & Housing Agency  
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“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019

Date Expires: February 18, 2021

Jim Martin, Bureau Chief, BREAA

3044479

# Kevin Ziegenmeyer, MAI

## Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

## Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2019

## Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

2004 Central CA Market Update

Computer-Enhanced Cash Flow Modeling

Forecast 2000, 2001, 2002, 2003 & 2004

Land Valuation Assignments

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# Kevin Ziegenmeyer, MAI

## Education (Cont'd)

Land Valuation Adjustment Procedures  
Highest & Best Use and Market Analysis  
Entitlements, Land Subdivision & Valuation  
Real Estate Value Cycles  
El Dorado Hills Housing Symposium  
Federal Land Exchanges  
M & S Computer Cost-Estimating, Nonresidential

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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Kevin K. Ziegenmeyer**


has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2017  
Date Expires: June 4, 2019

  
\_\_\_\_\_  
Jim Martin, Bureau Chief, BREA

3034684

# Kari Tatton

## Experience

Ms. Tatton is a Certified General real estate appraiser. After completing her bachelor's degree at California State University, Sacramento, Ms. Tatton began her career in real estate in March 2011, and has been writing narrative appraisal reports for a variety of commercial properties including office, retail, industrial, multifamily housing, land and special-purpose properties including self-storage facilities, religious facilities, schools and auto dealerships. She specializes in the appraisal of residential master planned communities and subdivisions, as well as Mello-Roos and Assessment Districts for land-secured municipal financings.

## Licenses

California, Certified General Real Estate, 3002218, Expires June 2020

## Education

Academic:

Bachelor of Arts in Interior Design (Concentration in Interior Architecture)  
California State University, Sacramento

Appraisal and Real Estate Courses:

Basic Appraisal Principles  
Basic Appraisal Procedures  
Site Valuation & Cost Approach  
General Market Analysis & Highest and Best Use  
Sales Comparison Approach  
Income Capitalization Approach Part I  
Income Capitalization Approach Part II  
General Appraiser Report Writing and Case Studies  
Appraisal of Fast Food Facilities  
Appraising Small Apartment Properties  
Appraisal of Land Subject to Ground Leases  
Appraising Automobile Dealerships

**Integra Realty Resources**  
**Sacramento**

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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Kari M. Tatton**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

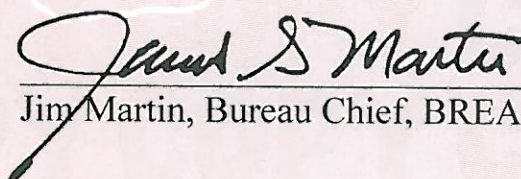
“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3002218

Effective Date: June 2, 2018

Date Expires: June 1, 2020

  
Jim Martin, Bureau Chief, BREA

3040303

## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

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## **Addendum B**

### **Definitions**



# Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

## **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

## **Disposition Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

## **Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

## **Entitlement**

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

## **Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of

development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

#### **Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

#### **Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

#### **Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

#### **Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.



Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

### **Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

### **Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

**Addendum C**  
**Preliminary Title Report**



## **Addendum D**

### **Value by Assessor's Parcel**



**Value by Assessor's Parcel Number**

| APN       | Tract | Phase | Lot | Floor Plan | Owner         | Inspection Status        | Appraised Value |
|-----------|-------|-------|-----|------------|---------------|--------------------------|-----------------|
| 478440001 | 36436 | 33    | 1   | 1,772      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440002 | 36436 | 33    | 2   | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440003 | 36436 | 33    | 3   | 1,905      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440004 | 36436 | 33    | 4   | 3,061      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440005 | 36436 | 33    | 5   | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440006 | 36436 | 33    | 6   | 2,617      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440007 | 36436 | 32    | 7   | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440008 | 36436 | 32    | 8   | 1,905      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440009 | 36436 | 32    | 9   | 2,617      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440010 | 36436 | 32    | 10  | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440011 | 36436 | 32    | 11  | 1,905      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440012 | 36436 | 32    | 12  | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440013 | 36436 | 32    | 13  | 1,905      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478440014 | 36436 | 5     | 55  | 1,905      | KB HOME CALIF | Completed (Sold) Home    | 1 \$380,000     |
| 478440015 | 36436 | 5     | 56  | 2,617      | KB HOME CALIF | Completed (Sold) Home    | 1 \$410,000     |
| 478440016 | 36436 | 5     | 57  | 2,128      | KB HOME CALIF | Completed (Sold) Home    | 1 \$400,000     |
| 478440017 | 36436 | 5     | 58  | 3,061      | KB HOME CALIF | Completed Home           | 1 \$440,000     |
| 478440018 | 36436 | 11    | 59  | 1,772      | KB HOME CALIF | Completed (Sold) Home    | 1 \$370,000     |
| 478440019 | 36436 | 11    | 60  | 1,905      | KB HOME CALIF | Completed Home           | 1 \$380,000     |
| 478440020 | 36436 | 12    | 61  | 3,061      | KB HOME CALIF | Completed Home (Sold)    | 1 \$440,000     |
| 478440021 | 36436 | 12    | 62  | 1,772      | KB HOME CALIF | Completed (Sold) Home    | 1 \$370,000     |
| 478440022 | 36436 | 13    | 63  | 1,905      | KB HOME CALIF | Completed (Sold) Home    | 1 \$380,000     |
| 478440023 | 36436 | 13    | 64  | 2,128      | KB HOME CALIF | Completed (Sold) Home    | 1 \$400,000     |
| 478440024 | 36436 | 13    | 65  | 3,061      | KB HOME CALIF | Completed (Sold) Home    | 1 \$440,000     |
| 478440025 | 36436 | 13    | 66  | 2,617      | KB HOME CALIF | Completed Home           | 1 \$410,000     |
| 478440026 | 36436 | 12    | 67  | 1,905      | KB HOME CALIF | Completed (Sold) Home    | 1 \$380,000     |
| 478440027 | 36436 | 12    | 68  | 2,128      | KB HOME CALIF | Completed Home           | 1 \$400,000     |
| 478440028 | 36436 | 11    | 69  | 2,617      | KB HOME CALIF | Completed (Sold) Home    | 1 \$410,000     |
| 478440029 | 36436 | 11    | 70  | 2,128      | KB HOME CALIF | Completed (Sold) Home    | 1 \$400,000     |
| 478440030 | 36436 | 6     | 71  | 1,905      | KB HOME CALIF | Completed Home           | 1 \$380,000     |
| 478440031 | 36436 | 6     | 72  | 3,061      | KB HOME CALIF | Completed Home           | 1 \$440,000     |
| 478440032 | 36436 | 7     | 73  | 1,772      | KB HOME CALIF | Completed Home           | 1 \$370,000     |
| 478440033 | 36436 | 7     | 74  | 2,128      | KB HOME CALIF | Completed (Sold) Home    | 1 \$400,000     |
| 478440034 | 36436 | 14    | 75  | 2,128      | KB HOME CALIF | Completed (Sold) Home    | 1 \$400,000     |
| 478440035 | 36436 | 14    | 76  | 1,772      | KB HOME CALIF | Under Construction (80%) | 1 \$296,000     |
| 478440036 | 36436 | 15    | 77  | 2,128      | KB HOME CALIF | Under Construction (80%) | 1 \$320,000     |
| 478440037 | 36436 | 15    | 78  | 1,905      | KB HOME CALIF | Under Construction (80%) | 1 \$304,000     |
| 478440038 | 36436 | 16    | 79  | 2,128      | KB HOME CALIF | Under Construction (80%) | 1 \$320,000     |
| 478440039 | 36436 | 16    | 80  | 2,617      | KB HOME CALIF | Under Construction (80%) | 1 \$328,000     |
| 478440040 | 36436 | 16    | 81  | 3,061      | KB HOME CALIF | Under Construction (80%) | 1 \$352,000     |
| 478440041 | 36436 | 16    | 82  | 1,905      | KB HOME CALIF | Under Construction (80%) | 1 \$304,000     |
| 478440042 | 36436 | 15    | 83  | 2,128      | KB HOME CALIF | Under Construction (80%) | 1 \$320,000     |
| 478440043 | 36436 | 15    | 84  | 1,772      | KB HOME CALIF | Under Construction (80%) | 1 \$296,000     |
| 478440044 | 36436 | 14    | 85  | 3,061      | KB HOME CALIF | Under Construction (80%) | 1 \$352,000     |
| 478440045 | 36436 | 14    | 86  | 2,617      | KB HOME CALIF | Completed (Sold) Home    | 1 \$410,000     |
| 478440046 | 36436 | 14    | 87  | 1,905      | KB HOME CALIF | Completed (Sold) Home    | 1 \$380,000     |
| 478441001 | 36436 | 8     | 132 | 1,905      | KB HOME CALIF | Completed Home           | 1 \$380,000     |
| 478441002 | 36436 | 8     | 133 | 1,772      | KB HOME CALIF | Completed Home           | 1 \$370,000     |
| 478441003 | 36436 | 8     | 134 | 2,128      | KB HOME CALIF | Completed Home           | 1 \$400,000     |
| 478441004 | 36436 | 7     | 135 | 1,905      | KB HOME CALIF | Completed (Sold) Home    | 1 \$380,000     |
| 478441005 | 36436 | 7     | 136 | 2,617      | KB HOME CALIF | Completed (Sold) Home    | 1 \$410,000     |
| 478441006 | 36436 | 6     | 137 | 2,128      | KB HOME CALIF | Completed (Sold) Home    | 1 \$400,000     |
| 478441007 | 36436 | 6     | 138 | 1,772      | KB HOME CALIF | Completed Home           | 1 \$370,000     |
| 478450001 | 36436 | 31    | 14  | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450002 | 36436 | 31    | 15  | 2,617      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450003 | 36436 | 31    | 16  | 3,061      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450004 | 36436 | 31    | 17  | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450005 | 36436 | 31    | 18  | 1,772      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450006 | 36436 | 31    | 19  | 1,905      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450007 | 36436 | 29    | 20  | 1,772      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450008 | 36436 | 29    | 21  | 2,617      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450009 | 36436 | 29    | 22  | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450010 | 36436 | 29    | 23  | 3,061      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450011 | 36436 | 28    | 24  | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450012 | 36436 | 28    | 25  | 1,772      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450013 | 36436 | 28    | 26  | 2,617      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |
| 478450014 | 36436 | 28    | 27  | 2,128      | KB HOME CALIF | Finished Lot             | 1 \$130,000     |



|           |       |        |     |       |               |                       |   |           |
|-----------|-------|--------|-----|-------|---------------|-----------------------|---|-----------|
| 478450015 | 36436 | 27     | 28  | 2,617 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450016 | 36436 | 27     | 29  | 1,772 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450017 | 36436 | 26     | 30  | 2,128 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450018 | 36436 | 26     | 31  | 2,617 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450019 | 36436 | 25     | 32  | 3,061 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450020 | 36436 | 25     | 33  | 2,128 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450021 | 36436 | 25     | 34  | 1,772 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450022 | 36436 | 25     | 35  | 1,905 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450023 | 36436 | 26     | 36  | 2,128 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450024 | 36436 | 26     | 37  | 1,905 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450025 | 36436 | 27     | 38  | 2,617 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450026 | 36436 | 27     | 39  | 1,905 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450027 | 36436 | 28     | 40  | 1,772 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450028 | 36436 | 29     | 41  | 2,617 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450029 | 36436 | 29     | 42  | 2,128 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450030 | 36436 | 30     | 43  | 2,617 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450031 | 36436 | 30     | 44  | 2,128 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478450032 | 36436 | 30     | 45  | 3,061 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478451001 | 36436 | 1      | 46  | 2,128 | KB HOME CALIF | Completed (Sold) Home | 1 | \$400,000 |
| 478451002 | 36436 | 1      | 47  | 1,772 | KB HOME CALIF | Completed (Sold) Home | 1 | \$370,000 |
| 478451003 | 36436 | 1      | 48  | 1,905 | KB HOME CALIF | Completed (Sold) Home | 1 | \$380,000 |
| 478451004 | 36436 | 1      | 49  | 3,061 | KB HOME CALIF | Completed Home        | 1 | \$440,000 |
| 478451005 | 36436 | 2      | 50  | 1,905 | KB HOME CALIF | Completed (Sold) Home | 1 | \$380,000 |
| 478451006 | 36436 | 2      | 51  | 2,128 | KB HOME CALIF | Completed (Sold) Home | 1 | \$400,000 |
| 478451007 | 36436 | 3      | 52  | 2,617 | KB HOME CALIF | Completed (Sold) Home | 1 | \$410,000 |
| 478451008 | 36436 | 3      | 53  | 3,061 | KB HOME CALIF | Completed (Sold) Home | 1 | \$440,000 |
| 478451009 | 36436 | 5      | 54  | 1,772 | KB HOME CALIF | Completed (Sold) Home | 1 | \$370,000 |
| 478452001 | 36436 | 3      | 139 | 2,128 | KB HOME CALIF | Completed (Sold) Home | 1 | \$400,000 |
| 478452002 | 36436 | 3      | 140 | 1,905 | KB HOME CALIF | Completed Home        | 1 | \$380,000 |
| 478452003 | 36436 | 4      | 141 | 2,617 | KB HOME CALIF | Completed (Sold) Home | 1 | \$410,000 |
| 478452004 | 36436 | 4      | 142 | 2,128 | KB HOME CALIF | Completed (Sold) Home | 1 | \$400,000 |
| 478452005 | 36436 | 4      | 143 | 1,772 | KB HOME CALIF | Completed (Sold) Home | 1 | \$370,000 |
| 478452006 | 36436 | 4      | 144 | 2,128 | KB HOME CALIF | Completed (Sold) Home | 1 | \$400,000 |
| 478452007 | 36436 | 34/BO  | 145 | 3,061 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478452008 | 36436 | 34/BO  | 146 | 2,617 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478452009 | 36436 | 34/BO  | 147 | 1,905 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478452010 | 36436 | 34/BO  | 148 | 1,772 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478452011 | 36436 | 2      | 149 | 1,772 | KB HOME CALIF | Completed (Sold) Home | 1 | \$370,000 |
| 478452012 | 36436 | 2      | 150 | 2,617 | KB HOME CALIF | Completed (Sold) Home | 1 | \$410,000 |
| 478452013 | 36436 | 34/BO  | 151 | 1,772 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478452014 | 36436 | 34/BO  | 152 | 2,128 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478452015 | 36436 | 34/BO  | 153 | 1,772 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478452016 | 36436 | Models | 154 | 2,128 | KB HOME CALIF | Model                 | 1 | \$400,000 |
| 478452017 | 36436 | Models | 155 | 2,617 | KB HOME CALIF | Model                 | 1 | \$410,000 |
| 478452018 | 36436 | Models | 156 | 3,061 | KB HOME CALIF | Model                 | 1 | \$440,000 |
| 478452019 | 36436 | 34/BO  | 157 | 2,128 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478452020 | 36436 | 34/BO  | 158 | 1,905 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478452021 | 36436 | 34/BO  | 159 | 1,772 | KB HOME CALIF | Finished Lot          | 1 | \$130,000 |
| 478460001 | 36436 | 17     | 88  | 1,905 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478460002 | 36436 | 17     | 89  | 2,617 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478460003 | 36436 | 17     | 90  | 2,128 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478460004 | 36436 | 18     | 91  | 1,905 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478460005 | 36436 | 18     | 92  | 1,772 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478460006 | 36436 | 19     | 93  | 2,128 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478460007 | 36436 | 19     | 94  | 1,905 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461001 | 36436 | 19     | 95  | 1,772 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461002 | 36436 | 19     | 96  | 2,617 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461003 | 36436 | 18     | 97  | 2,128 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461004 | 36436 | 18     | 98  | 3,061 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461005 | 36436 | 17     | 99  | 1,905 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461006 | 36436 | 17     | 100 | 1,772 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461007 | 36436 | 17     | 101 | 2,128 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461008 | 36436 | 20     | 102 | 1,772 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461009 | 36436 | 20     | 103 | 2,128 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461010 | 36436 | 21     | 104 | 1,772 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461011 | 36436 | 21     | 105 | 2,617 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461012 | 36436 | 21     | 106 | 2,128 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461013 | 36436 | 22     | 107 | 1,905 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461014 | 36436 | 22     | 108 | 3,061 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |
| 478461015 | 36436 | 22     | 109 | 2,128 | KB HOME CALIF | Under Construction    | 1 | \$130,000 |

|           |       |    |     |       |               |                    |   |           |
|-----------|-------|----|-----|-------|---------------|--------------------|---|-----------|
| 478461016 | 36436 | 22 | 110 | 2,617 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478461017 | 36436 | 21 | 111 | 1,905 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478461018 | 36436 | 20 | 112 | 2,128 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478461019 | 36436 | 20 | 113 | 2,617 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478461020 | 36436 | 23 | 114 | 1,905 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478461021 | 36436 | 23 | 115 | 2,617 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478461022 | 36436 | 23 | 116 | 1,772 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478461023 | 36436 | 23 | 117 | 2,128 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478462001 | 36436 | 24 | 118 | 3,061 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478462002 | 36436 | 24 | 119 | 1,905 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478462003 | 36436 | 24 | 120 | 2,128 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478462004 | 36436 | 24 | 121 | 1,772 | KB HOME CALIF | Under Construction | 1 | \$130,000 |
| 478462005 | 36436 | 10 | 122 | 1,905 | KB HOME CALIF | Completed Home     | 1 | \$380,000 |
| 478462006 | 36436 | 10 | 123 | 2,128 | KB HOME CALIF | Completed Home     | 1 | \$400,000 |
| 478462007 | 36436 | 10 | 124 | 3,061 | KB HOME CALIF | Completed Home     | 1 | \$440,000 |
| 478462008 | 36436 | 10 | 125 | 2,617 | KB HOME CALIF | Completed Home     | 1 | \$410,000 |
| 478462009 | 36436 | 10 | 126 | 2,128 | KB HOME CALIF | Completed Home     | 1 | \$400,000 |
| 478462010 | 36436 | 9  | 127 | 1,905 | KB HOME CALIF | Completed Home     | 1 | \$380,000 |
| 478462011 | 36436 | 9  | 128 | 3,061 | KB HOME CALIF | Completed Home     | 1 | \$440,000 |
| 478462012 | 36436 | 9  | 129 | 1,772 | KB HOME CALIF | Completed Home     | 1 | \$370,000 |
| 478462013 | 36436 | 9  | 130 | 2,128 | KB HOME CALIF | Completed Home     | 1 | \$400,000 |
| 478462014 | 36436 | 8  | 131 | 2,617 | KB HOME CALIF | Completed Home     | 1 | \$410,000 |



## **Addendum E**

### **Comparable Data**



## Location & Property Identification

|                     |                                      |
|---------------------|--------------------------------------|
| Property Name:      | Creekside Subdivision                |
| Sub-Property Type:  | Residential, Residential Subdivision |
| Address:            | Olive Ave.                           |
| City/State/Zip:     | Winchester, CA 92596                 |
| County:             | Riverside                            |
| Market Orientation: | Suburban                             |
| IRR Event ID:       | 1924313                              |

Source of Land Info.: Broker

## Sale Information

|                       |                         |
|-----------------------|-------------------------|
| Sale Price:           | \$6,200,000             |
| Effective Sale Price: | \$6,200,000             |
| Sale Date:            | 12/19/2017              |
| Recording Date:       | 12/29/2017              |
| Sale Status:          | Closed                  |
| \$/Unit:              | \$55,357 /Unit          |
| Grantor/Seller:       | Lansing Stone Star, LLC |
| Grantee/Buyer:        | KB Home Coastal Inc.    |
| Assets Sold:          | Real estate only        |
| Property Rights:      | Fee Simple              |
| Financing:            | Cash to seller          |
| Document Type:        | Deed                    |
| Recording No.:        | 2017-0547838            |

## Comments

This comparable is the December 2017 purchase of 112 nearly finished lots within the Creekside Subdivision in Winchester, Riverside County. According to marketing materials for the sale, costs to finish were reportedly \$58,000 per lot, net of \$26,000 in CFD proceeds (fee credits). According to public records, KB Home acquired the lots for \$55,357, indicating a finished lot value of \$113,357 per lot.

## Improvement and Site Data

|                           |                                      |
|---------------------------|--------------------------------------|
| MSA:                      | Riverside-San Bernardino-Ontario, CA |
| Legal/Tax/Parcel ID:      | 461-241-039 et al                    |
| Acres(Gross):             | 30.28                                |
| Land-SF(Gross):           | 1,318,996                            |
| No. of Units (Potential): | 112                                  |
| Zoning Desc.:             | Residential                          |



## Location & Property Identification

|                     |                                      |
|---------------------|--------------------------------------|
| Property Name:      | Murrieta 64                          |
| Sub-Property Type:  | Residential, Residential Subdivision |
| Address:            | Washington Ave.                      |
| City/State/Zip:     | Murrieta, CA 92562                   |
| County:             | Riverside                            |
| Market Orientation: | Suburban                             |
| IRR Event ID:       | 1910638                              |



## Sale Information

|                       |                         |
|-----------------------|-------------------------|
| Sale Price:           | \$5,525,000             |
| Effective Sale Price: | \$5,525,000             |
| Sale Date:            | 09/05/2017              |
| Sale Status:          | Closed                  |
|                       | \$960,870               |
|                       | \$22.06                 |
| \$/Unit:              | \$86,328 /Approved Unit |
| Grantor/Seller:       | Harding Square LLC      |
| Grantee/Buyer:        | KB Home Coastal, Inc.   |
| Property Rights:      | Fee Simple              |
| Document Type:        | Deed                    |
| Recording No.:        | 0367247                 |

|                           |                            |
|---------------------------|----------------------------|
| Acres(Usable/Gross):      | 5.75/5.75                  |
| Land-SF(Usable/Gross):    | 250,470/250,470            |
| Usable/Gross Ratio:       | 1.00                       |
| No. of Units (Potential): | 64                         |
| Shape:                    | Irregular                  |
| Topography:               | Level                      |
| Corner Lot:               | No                         |
| Frontage Feet:            | 479                        |
| Frontage Desc.:           | Washington                 |
| Frontage Type:            | 2 way, 1 lane each way     |
| Traffic Control at Entry: | Traffic light              |
| Traffic Flow:             | Moderate                   |
| Visibility Rating:        | Average                    |
| Zoning Code:              | MF-2                       |
| Zoning Desc.:             | multifamily 2, residential |
| Flood Plain:              | No                         |
| Flood Zone Designation:   | X                          |
| Comm. Panel No.:          | 06065C2705G                |
| Date:                     | 08/28/2008                 |
| Source of Land Info.:     | Public Records             |

## Sale Analysis

|                        |                                       |
|------------------------|---------------------------------------|
| Current Use at T.O.S.: | Vacant Land                           |
| Proposed Use Desc.:    | Single Family Residential Subdivision |

## Improvement and Site Data

|                      |               |
|----------------------|---------------|
| Legal/Tax/Parcel ID: | 906-040-096-2 |
|----------------------|---------------|

## Murrieta 64

## Comments

This property is the September 2017 acquisition of land with final map recorded for 64 single-family residential lots with a typical lot size of 3,200 square feet. Finishing costs were reported at \$98,665.



## Location & Property Identification

|                     |                                      |
|---------------------|--------------------------------------|
| Property Name:      | Turtle Ranch Subdivision             |
| Sub-Property Type:  | Residential, Residential Subdivision |
| Address:            | Thompson Rd.                         |
| City/State/Zip:     | Winchester, CA 92596                 |
| County:             | Riverside                            |
| Market Orientation: | Suburban                             |
| IRR Event ID:       | 1924320                              |

## Sale Information

|                       |   |
|-----------------------|---|
| Sale Price:           | \$2,150,000                                       |
| Effective Sale Price: | \$2,150,000                                       |
| Sale Date:            | 09/01/2017  |
| Recording Date:       | 09/20/2017  |
| Sale Status:          | Closed  |
| \$/Unit:              | \$42,157 /Unit                                    |
| Grantor/Seller:       | Javin Investments Sp Z o.o., a Polish corporation |
| Grantee/Buyer:        | KB Home Coastal Inc.                              |
| Property Rights:      | Fee Simple  |
| Financing:            | Cash to seller                                    |

This comparable is the September 2017 sale of 51 unimproved lots in Winchester, Riverside County, within the Temecula Valley Unified School District. The typical lot size is 7,200 square feet (65' wide). Estimated costs to complete, including fees, is \$100,000, suggesting a finished lot price of \$142,157 per lot.

## Improvement and Site Data

|                           |                                      |
|---------------------------|--------------------------------------|
| MSA:                      | Riverside-San Bernardino-Ontario, CA |
| Legal/Tax/Parcel ID:      | 964-010-001                          |
| Acres(Gross):             | 19.40                                |
| Land-SF(Gross):           | 845,064                              |
| No. of Units (Potential): | 51                                   |
| Zoning Desc.:             | Residential                          |
| Source of Land Info.:     | Broker                               |

## Comments

## Location & Property Identification

Property Name: McKenna Pointe Subdivision

Sub-Property Type: Residential, Residential Subdivision

Address: Machado St.

City/State/Zip: Lake Elsinore, CA 92530

County: Riverside

Submarket: South

Market Orientation: Suburban

IRR Event ID: 1924326

## Sale Information

Sale Price: \$5,700,000

Effective Sale Price: \$5,700,000

Sale Date: 04/13/2017

Sale Status: Closed

Legal/Tax/Parcel ID: 379-150-002, -041, -042, -043, -048 and -050

Acres(Usable/Gross): 20.63/23.46

Land-SF(Usable/Gross): 898,642/1,021,917

Usable/Gross Ratio: 0.88

No. of Units (Potential): 81

Zoning Desc.: Residential

Source of Land Info.: Public Records

\$/Unit: \$70,370 /Approved Unit

Grantor/Seller: Sam-McKenna LLC

Grantee/Buyer: Western Pacific Housing, Inc.

Assets Sold: Real estate only

Property Rights: Fee Simple

Financing: Cash to seller

Document Type: Deed

Recording No.: 0147979

## Comments

This comparable is the April 2017 sale of 81 blue top lots in Lake Elsinore, Riverside County. According to a representative of the buyer, D.R. Horton, Inc., the average lot size is 8,500 square feet and finishing costs were reportedly \$58,130 per lot, for a finished lot indicator of \$128,500 per lot.

## Improvement and Site Data

MSA: Riverside-San Bernardino-Ontario, CA

## Location & Property Identification

Property Name: Spencer's Crossing (Tract 32290-1)  
Sub-Property Type: Residential  
Address: N/O Baxter Rd., W/O Spencer's Crossing Pkwy.  
City/State/Zip: Murrieta, CA 92563  
County: Riverside  
Market Orientation: Suburban  
IRR Event ID: 2148549



No. of Units (Potential): 82  
Source of Land Info.: Engineering Report

## Sale Information

Sale Price: \$6,811,063  
Effective Sale Price: \$6,811,063  
Sale Date: 12/09/2016  
Sale Status: Closed  
\$/Unit: \$83,062 /Improved Lot  
Grantor/Seller: Riverside Mitland 03  
Grantee/Buyer: Brookfield Juniper LLC  
Portfolio Sale: No  
Assets Sold: Real estate only  
Property Rights: Fee Simple  
% of Interest Conveyed: 100.00  
Financing: Cash to seller

## Comments

This comparable represents the December 2016 sale of 82 lots within the Spencer's Crossing master planned community. The buyer, Brookfield Residential, acquired 82 nearly finished lots and is marketing the Juniper subdivision with homes ranging in size from 3,212 to 4,091 square feet on a typical lot size of 8,400 SF. The costs to complete (developments costs and fees) are \$9,271/lot.

## Sale Analysis

Sale Price Includes FF&E? No

## Improvement and Site Data

Legal/Tax/Parcel ID: 480-830-001 through 480-832-013

## Location & Property Identification

Property Name: Augusta Subdivision

Sub-Property Type: Residential

Address: Gentian Ave.

City/State/Zip: Moreno Valley, CA 92551

County: Riverside

Market Orientation: Suburban

IRR Event ID: 1980982



## Sale Information

Sale Price: \$4,798,000

Effective Sale Price: \$4,798,000

Sale Date: 06/14/2016

Sale Status: Closed

\$/Unit: \$34,271 /Approved Lot

Grantor/Seller: MPLC Legacy 140 Partners, LP.

Grantee/Buyer: RSI Communities, LLC.

Assemblage: No

Assets Sold: Real estate only

Property Rights: Fee Simple

% of Interest Conveyed: 100.00

Financing: Cash to seller - buyer obtained financing

Document Type: Deed

Recording No.: 280033

## Comments

This transaction represents the sale of 140 unimproved lots, with a typical size of 7,350 SF, to RSI Communities (William Lyon Homes). The cost to complete was \$111,399/lot; permits and fees due at BP are \$3,104 on average. The merchant builder is constructing five floor plans ranging in size from 2,107 to 2,679 square feet. Typical special assessments are \$2,316 annually.

## Improvement and Site Data

Acres(Gross): 41.00

Land-SF(Gross): 1,785,960

No. of Units (Potential): 140

Source of Land Info.: Engineering Report

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**Integra Realty Resources**  
**San Francisco**

**Appraisal of Real Property**

**Community Facilities District No. 2015-2 (Bella Cortina)**

Residential Subdivision

Tuberose Ln.

Moreno Valley, Riverside County, California 92555

**Prepared For:**

Moreno Valley Unified School District

**Effective Date of the Appraisal:**

February 1, 2019

**Report Format:**

Appraisal Report – Bring Forward Letter

**IRR - Sacramento**

File Number: 192-2018-0163





February 15, 2019

Ms. Tina Daigneault  
Chief Business Official  
Moreno Valley Unified School District  
25634 Alessandro Blvd.  
Moreno Valley, CA 92553

SUBJECT: Community Facilities District No. 2015-2 (Bella Cortina)  
Tuberose Ln.  
Moreno Valley, Riverside County, California 92555

Dear Ms. Daigneault:

At your request and authorization, Integra Realty Resources – San Francisco has prepared an update to our Appraisal Report of the above-referenced property. The original Appraisal Report, dated January 30, 2019, was prepared conforming to the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004). The original Appraisal Report provides the market values (*fee simple estate*) of the completed single-family homes and improved lots within the boundaries of Community Facilities District No. 2015-2 (Bella Cortina), under the assumptions and limiting conditions contained in this Appraisal Report, as of November 1, 2018. This Update Appraisal Report may only be used in conjunction with the original Appraisal Report.

As an Update Appraisal Report, this document does not present a complete discussion of the data, reasoning and analyses used in the appraisal process to develop the appraiser's opinions of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraiser's work file. The intended use of this Update Appraisal Report, dated February 15, 2019, is to ascertain whether the current estimate (February 1, 2019) of cumulative, or aggregate, value of the District is not less than the value derived in the original Appraisal Report, dated January 30, 2019, with a date of value of November 1, 2018.

CFD No. 2015-2 comprises the 159-lot Bella Cortina subdivision, which is bounded by Cactus Ave. to the south, Brodiaea Ave. to the north and Wilmot St. to the east, within the city of Moreno Valley, Riverside County, California.



We have been requested to ascertain, as of a current date of value (February 1, 2019), whether the benchmark estimate of market value of the appraised properties, as well as a cumulative, or aggregate, value of the appraised properties in CFD No. 2015-2, estimated as of the original date of value (November 1, 2018), is not less than the current (February 1, 2019) value.

As a result of our analysis, it is our opinion the cumulative, or aggregate, value, in accordance with the assumptions and conditions set forth in the attached document, as of February 1, 2019, is not less than the following:

| <b>Conclusions of Value, by Component</b>                      |                       |                     |                        |
|--|-----------------------|---------------------|------------------------|
| <b>Component</b>   | <b>No. of Parcels</b> | <b>Market Value</b> | <b>Aggregate Value</b> |
| Completed Homes  |                       |                     |                        |
| Individual Homeowners  |                       |                     |                        |
| Residence One  | 6                     | \$370,000           | \$2,220,000            |
| Residence Two  | 7                     | \$380,000           | \$2,660,000            |
| Residence Three  | 11                    | \$400,000           | \$4,400,000            |
| Residence Four   | 7                     | \$410,000           | \$2,870,000            |
| Residence Five   | 3                     | \$440,000           | <u>\$1,320,000</u>     |
| Subtotal   | 34                    |                     | \$13,470,000           |
| KB Home  |                       |                     |                        |
| Residence One  | 4                     | \$370,000           | \$1,480,000            |
| Residence Two  | 6                     | \$380,000           | \$2,280,000            |
| Residence Three  | 6                     | \$400,000           | \$2,400,000            |
| Residence Four   | 4                     | \$410,000           | \$1,640,000            |
| Residence Five   | 6                     | \$440,000           | <u>\$2,640,000</u>     |
| Subtotal   | 26                    |                     | \$10,440,000           |
| Homes Under Construction                                       | 44                    | Varies              | \$7,612,000            |
| Improved Lots  | 55                    | \$130,000           | \$7,150,000            |
| <b>Cumulative, or Aggregate, Value of Appraised Properties</b> | <b>159</b>            |                     | <b>\$38,672,000</b>    |

The market values estimated herein are based on a **hypothetical condition**. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis." It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The estimate of market value accounts for the impact of the Lien of CFD No. 2015-2 of the special taxes securing the Bonds.

None of the Assessor's parcels have a complete assessed value for both land and improvements. As such, a "not-less-than" estimate of market value for each of the five floor plans being marketed within CFD No. 2015-2 was appraised and assigned to each respective Assessor's parcel.

Any properties within CFD No. 2015-2 not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites) are not a part of this Appraisal Report.

Please note the aggregate of the appraised values noted above **is not** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the "total of multiple market value conclusions." For purposes of this Appraisal Report, market value is estimated by ownership.



The estimates of market value provided assume a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimates are also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller acting prudently, knowledgeably, for their own self-interest and assuming neither is under duress. Further, the estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of CFD No. 2015-2 are not marketed concurrently, which would suggest a market under duress. Presented below is a summary of pertinent information pertaining to the subject properties:

|   |   |
|---|---|
| <b>Property Rights Appraised:</b>                           | Fee simple estate   |
| <b>Property Description:</b>                                | Property within the boundaries of the Moreno Valley Unified School District Community Facilities District No. 2015-2 (Bella Cortina).   |
| <b>Assessor's Parcel Number(s)/<br/>Owner(s) of Record:</b> | The appraised parcels are owned by multiple ownership entities. According to the provided 2018/19 Tax Roll, all completed and sold homes are identified as being owned by the merchant builder (KB Home); however, of the 60 completed homes, 34 were sold to individual owners as of the November 1, 2018 original date of value. Subsequent to the original date of value, a number of additional homes have been completed and sold to individual homeowners.  |
| <b>Zoning &amp; Entitlements:</b>                           | R-5 – Single family residential (5 du/ac)   |
| <b>Highest and Best Use as Improved:</b>                    | Continuation of single-family residential development   |
| <b>Type and Definition of Value:</b>                        | <p>Market value is defined as “The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:</p> <ul style="list-style-type: none"> <li>• Buyer and seller are typically motivated;</li> <li>• Both parties are well informed or well advised, and acting in what they consider their own best interests;</li> <li>• A reasonable time is allowed for exposure in the open market;</li> <li>• Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and</li> <li>• The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”</li> </ul> |

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(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

**Scope of Work:**

In preparing this Update Appraisal Report, we analyzed market data presented in our original Appraisal Report dated January 30, 2019 (as of the November 1, 2018 date of value). In addition, we analyzed current market conditions. This Update Appraisal Report sets forth only the appraiser's conclusions. Supporting documentation is retained in the appraiser's work file. The purpose of this update appraisal is to ascertain, as of a current date of value (February 1, 2019), whether the benchmark estimate of market value of the appraised properties, as well as a cumulative, or aggregate, value of the appraised properties in CFD No. 2015-2, estimated as of the original date of value (November 1, 2018), is not less than the current (February 1, 2019) value. The market value of the appraised properties, by ownership, as well as the cumulative, or aggregate, value of the appraised properties in CFD No. 2015-2 account for the impact of the Lien of the Special Tax securing the CFD No. 2015-2 Special Tax Bonds ("Bonds").

**Date of Inspection:**

The subject was not re-inspected.

**Date of Value:**

February 1, 2019

**Date of Report:**

February 15, 2019

This Update Appraisal Report has been performed in accordance with the requirements of USPAP, the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004). Additionally, this valuation is offered in accordance with the limiting conditions and assumptions set forth in this Appraisal Report. The appraisers understand and agree that this Update Appraisal Report, and original Appraisal Report, is expected to be, and may be, utilized by Moreno Valley Unified School District and CFD No. 2015-2 in the marketing of the Bonds and to satisfy certain legal requirements in connection with issuing the Bonds.

This Update Appraisal Report dated February 15, 2019, which contains 10 pages, must remain attached to the original appraisal dated January 30, 2019, which contains 57 pages, plus related exhibits and Addenda, in order for the value opinions set forth herein to be considered valid.



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## Certification

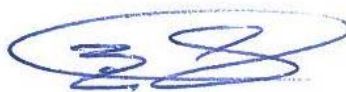
We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed appraisal services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, has made a personal inspection of the property that is the subject of this report. Kevin Ziegenmeyer, MAI, and Kari Tatton have not personally inspected the subject.
12. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
13. As of the date of this report, Kevin Ziegenmeyer, MAI and Eric Segal, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.





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Certified General Real Estate Appraiser  
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Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558  
Telephone: 916-435-3883, ext. 228  
Email: esegal@irr.com



Kari Tatton  
Certified General Real Estate Appraiser  
California Certificate # 3002218

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## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the



improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates, other participating financial institutions, government or non-government agencies, legal counsel or other transaction participants. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit (and/or their affiliates or subsidiaries, other participating financial institutions, government or non-government agencies, legal counsel or other transaction participants) unless we provide our prior





written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

**Addendum A**

**Appraiser Qualifications**

# Kevin Ziegenmeyer, MAI

## Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

## Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2019

## Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

2004 Central CA Market Update

Computer-Enhanced Cash Flow Modeling

Forecast 2000, 2001, 2002, 2003 & 2004

Land Valuation Assignments

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# Kevin Ziegenmeyer, MAI

## Education (Cont'd)

Land Valuation Adjustment Procedures  
Highest & Best Use and Market Analysis  
Entitlements, Land Subdivision & Valuation  
Real Estate Value Cycles  
El Dorado Hills Housing Symposium  
Federal Land Exchanges  
M & S Computer Cost-Estimating, Nonresidential

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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Kevin K. Ziegenmeyer**


has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2017  
Date Expires: June 4, 2019

  
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Jim Martin, Bureau Chief, BREA

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# Eric Segal, MAI

## Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

## Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

## Licenses

California, Certified General, AG026558, Expires February 2021

Nevada, Certified General, A.0207666-CG, Expires January 2019

## Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Self-Storage Economics and Appraisal Seminar

Appraisal Litigation Practice and Courtroom Management

Hotel Valuations: New Techniques for today's Uncertain Times

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications

Supervisor-Trainee Course for California

**Integra Realty Resources**  
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**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Eric A. Segal**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

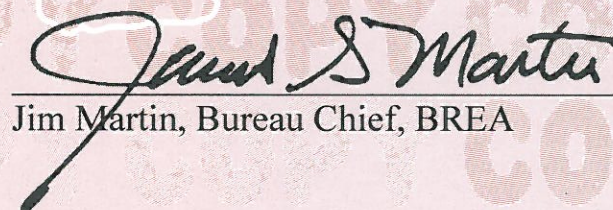
“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2017

Date Expires: February 18, 2019

  
Jim Martin, Bureau Chief, BREA



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**REAL ESTATE APPRAISER LICENSE**

**Eric A. Segal**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019

Date Expires: February 18, 2021

Jim Martin, Bureau Chief, BREAA

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# Kari Tatton

## Experience

Ms. Tatton is a Certified General real estate appraiser. After completing her bachelor's degree at California State University, Sacramento, Ms. Tatton began her career in real estate in March 2011, and has been writing narrative appraisal reports for a variety of commercial properties including office, retail, industrial, multifamily housing, land and special-purpose properties including self-storage facilities, religious facilities, schools and auto dealerships. She specializes in the appraisal of residential master planned communities and subdivisions, as well as Mello-Roos and Assessment Districts for land-secured municipal financings.

## Licenses

California, Certified General Real Estate, 3002218, Expires June 2020

## Education

Academic:

Bachelor of Arts in Interior Design (Concentration in Interior Architecture)  
California State University, Sacramento

Appraisal and Real Estate Courses:

Basic Appraisal Principles  
Basic Appraisal Procedures  
Site Valuation & Cost Approach  
General Market Analysis & Highest and Best Use  
Sales Comparison Approach  
Income Capitalization Approach Part I  
Income Capitalization Approach Part II  
General Appraiser Report Writing and Case Studies  
Appraisal of Fast Food Facilities  
Appraising Small Apartment Properties  
Appraisal of Land Subject to Ground Leases  
Appraising Automobile Dealerships

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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Kari M. Tatton**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:


“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3002218

Effective Date: June 2, 2018

Date Expires: June 1, 2020

  
\_\_\_\_\_  
Jim Martin, Bureau Chief, BREA

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