

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, subject to certain qualifications described in the Official Statement, under existing statutes, regulations, rules and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in the Official Statement, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, such interest is exempt from State of California personal income tax. See "TAX MATTERS" herein.

\$9,045,000
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(FAIRWAY CANYON)
2019 SPECIAL TAX BONDS

Dated: Delivery Date

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

This Official Statement describes bonds that are being issued by the City of Beaumont Community Facilities District No. 2016-1 (Fairway Canyon) (the "District"). The City of Beaumont Community Facilities District No. 2016-1 (Fairway Canyon) 2019 Special Tax Bonds (the "Bonds") are being issued by the District to: (a) pay the cost and expense of the acquisition and construction of certain public facilities in connection with the development of the District; (b) fund a reserve account securing the Bonds; and (c) pay 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 a resolution adopted by the City Council of the City of Beaumont (the "City"), acting as the legislative body of the District, and a Bond Indenture, dated as of March 1, 2019 (the "Indenture"), by and between the District and Wilmington Trust, National Association, as trustee (the "Trustee").

The Bonds are limited obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of parcels within the District subject to the Special Taxes and from certain other funds pledged under the Indenture, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes." The City Council of the City is the legislative body of the District.

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 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 semiannually on each March 1 and September 1, commencing September 1, 2019. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Principal of and interest on the Bonds will be paid by the Trustee 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 F—"BOOK-ENTRY ONLY SYSTEM" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, 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 CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to redemption prior to maturity as set forth herein. See "THE BONDS—Redemption" herein.

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT 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 THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" 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.

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.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the City and the District by Slovak, Baron, Empey, Murphy & Pinkney LLP, Palm Springs, California, and for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about March 12, 2019.

PiperJaffray

Dated: March 5, 2019

\$9,045,000
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(FAIRWAY CANYON)
2019 SPECIAL TAX BONDS

MATURITY SCHEDULE

Base CUSIP No.[†] 074434

Serial Bonds

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.[†]</i>
2019	\$255,000	3.000%	2.000%	100.464	AA9
2020	160,000	3.000	2.080	101.324	AB7
2021	165,000	3.000	2.140	102.057	AC5
2022	170,000	3.000	2.260	102.455	AD3
2023	175,000	4.000	2.390	106.785	AE1
2024	180,000	2.250	2.560	98.426	AF8
2025	185,000	2.500	2.700	98.819	AG6
2026	190,000	4.000	2.820	107.896	AH4
2027	195,000	5.000	2.960	114.410 ^C	AJ0
2028	205,000	5.000	3.100	113.518 ^C	AK7
2029	215,000	5.000	3.180	113.011 ^C	AL5
2030	225,000	5.000	3.370	111.819 ^C	AM3
2031	240,000	5.000	3.460	111.260 ^C	AN1
2032	250,000	3.375	3.610	97.509	AP6
2033	260,000	3.500	3.720	97.554	AQ4
2034	270,000	3.625	3.810	97.851	AR2
2035	280,000	3.625	3.870	97.035	AS0
2036	290,000	3.750	3.930	97.739	AT8
2037	300,000	3.750	3.990	96.883	AU5
2038	310,000	3.875	4.050	97.657	AV3
2039	320,000	3.875	4.070	97.307	AW1

Term Bonds

\$1,845,000 5.000% Term Bonds due September 1, 2044, Yield: 3.950% Price: 108.212[^] CUSIP No.[†] AX9

\$2,360,000 5.000% Term Bonds due September 1, 2049, Yield: 4.000% Price: 107.817^{*} CUSIP No.[†] AY7

[†] CUSIP® Copyright 2019, American Bankers Association. CUSIP® data in this Official Statement is provided by CUSIP Global Services, 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 CUSIP Service. None of the City, the District or the Underwriter or its counsel takes any responsibility for the accuracy of CUSIP data in this Official Statement. The CUSIP® number for a specific maturity is subject to being changed after the issuance 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.

^C Priced to optional call at 103% of par on September 1, 2025.

[^] Priced to optional call at 101% of par on September 1, 2027.

^{*} Priced to optional call at par on September 1, 2028.

**CITY OF BEAUMONT
COUNTY OF RIVERSIDE**

CITY COUNCIL
Serving as the Legislative Body of
City of Beaumont Community Facilities District No. 2016-1

Julio Martinez, Mayor
Rey Santos, Mayor Pro Tem
Nancy Carroll
Mike Lara
Lloyd White

CITY OFFICIALS

Todd Parton, City Manager
Kristine Day, Assistant City Manager
Melana Taylor, Director of Finance
Steven Mehlman, City Clerk
John Pinkney, City Attorney

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation,
Newport Beach, California

MUNICIPAL ADVISOR

Urban Futures, Inc.
Tustin, California

SPECIAL TAX CONSULTANT

Webb Municipal Finance, LLC
Riverside, California

REAL ESTATE APPRAISER

Integra Realty Resources
Rocklin, California

TRUSTEE

Wilmington Trust, National Association
Costa Mesa, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City and the District. No dealer, broker, salesperson or other person has been authorized by the City, the District, the Trustee 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 City, the District, the Trustee 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.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City 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 City or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. 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 CITY 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.

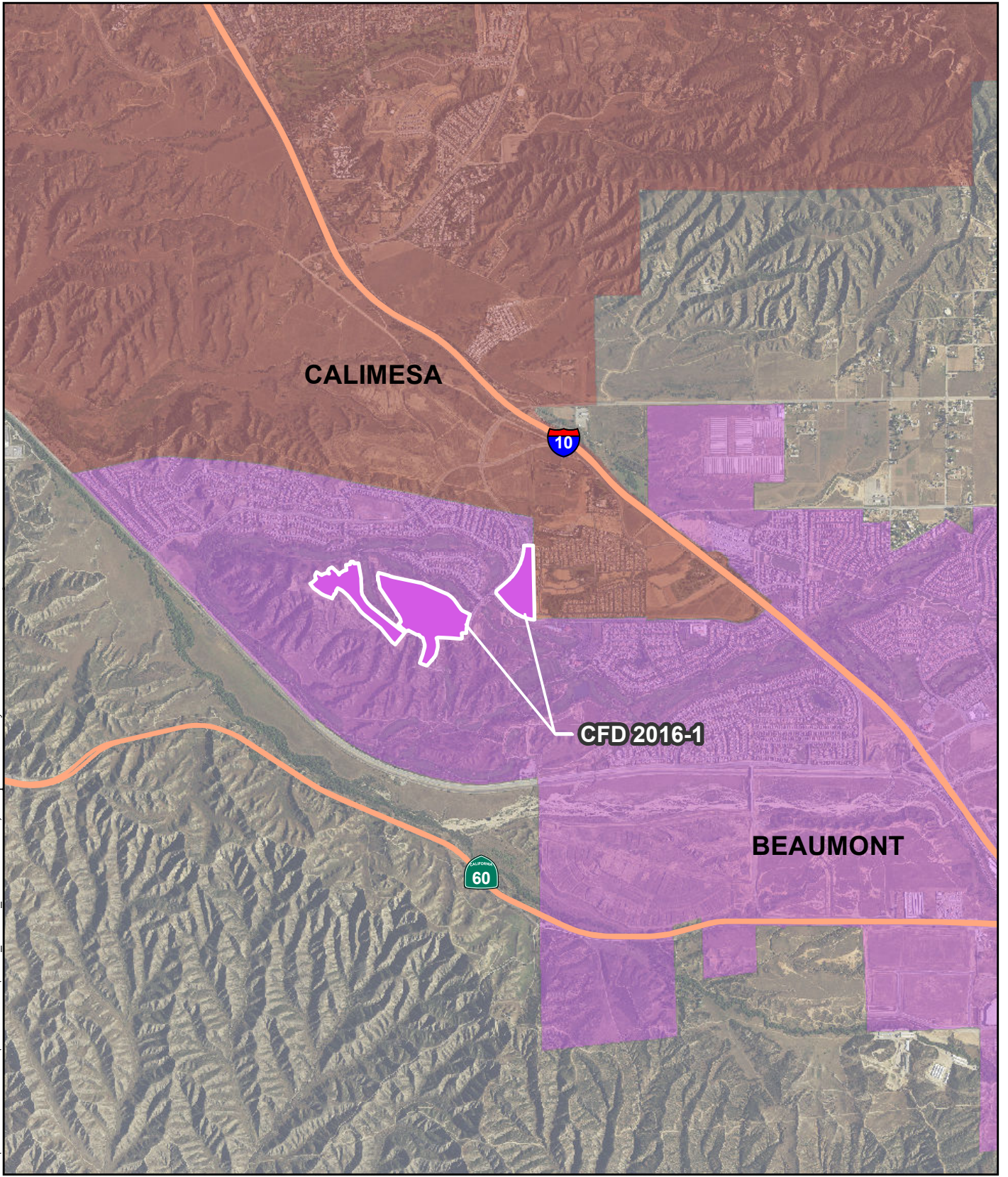
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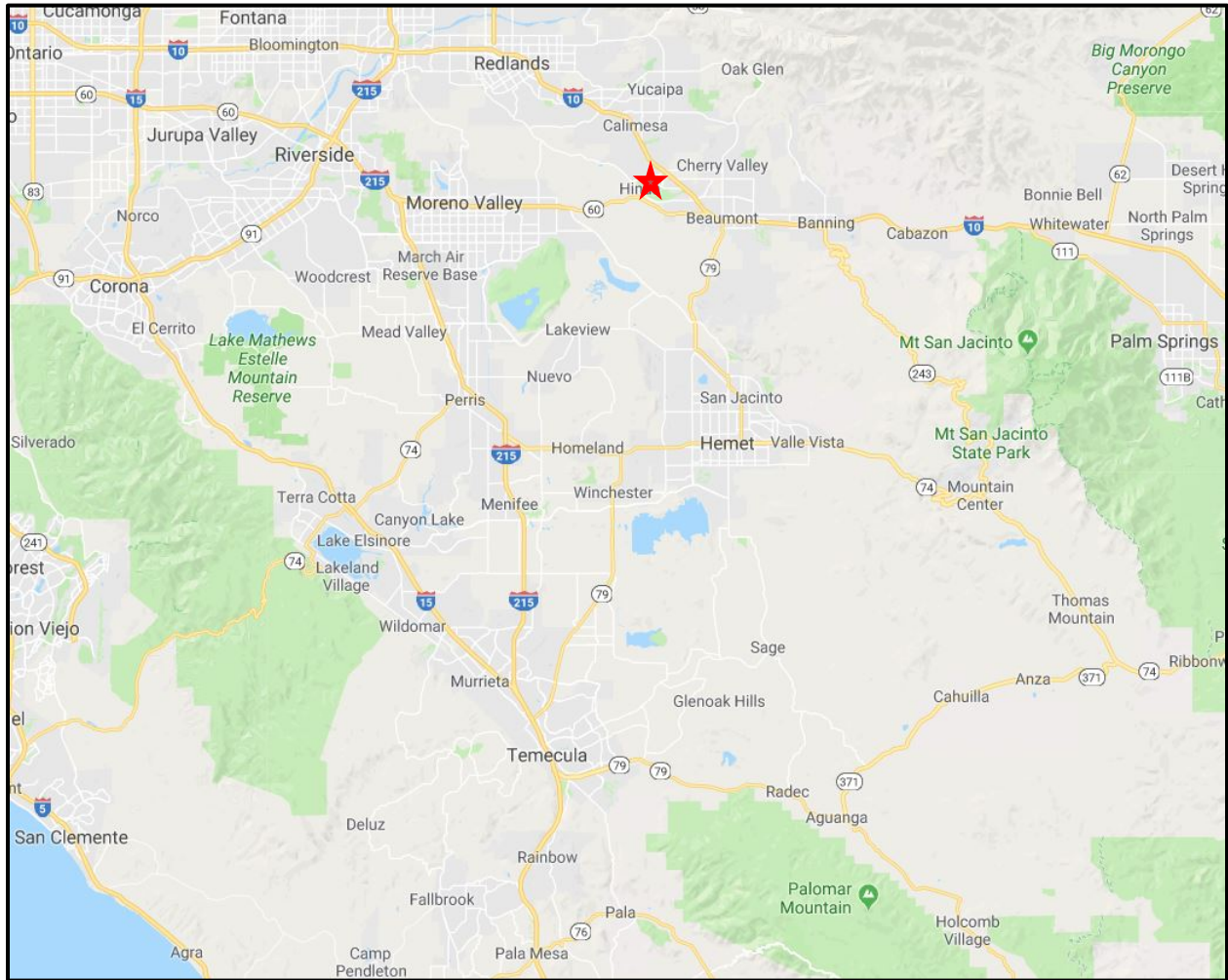
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LOCATION MAP
City of Beaumont Community Facilities
District No. 2016-1



Area Map





Source: AirViews (01/03/2019)

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\$9,045,000
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(FAIRWAY CANYON)
2019 SPECIAL TAX BONDS

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the City of Beaumont Community Facilities District No. 2016-1 (Fairway Canyon) (the “District”) of its 2019 Special Tax Bonds (the “Bonds”) in the aggregate principal amount of \$9,045,000. The proceeds of the Bonds will be used to: (a) pay the cost and expense of the acquisition and construction of certain public facilities required in connection with the development of the District; (b) fund a reserve account securing the Bonds; and (c) pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to a resolution adopted by the City Council of the City of Beaumont (the “City Council”), acting as the legislative body of the District, on February 19, 2019 and a Bond Indenture dated as of March 1, 2019 (the “Indenture”), by and between the District and Wilmington Trust, National Association, as trustee (the “Trustee”).

The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as defined herein) levied on parcels within the District and all moneys in the Special Tax Fund as described in the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold pursuant to a Bond Purchase Agreement between the Underwriter (defined below) and the District. For more complete information, see “THE BONDS—General Provisions” and “UNDERWRITING” herein.

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. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. 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 BOND INDENTURE—DEFINITIONS” herein.

The District

General. The District is located in the northwestern part of the City of Beaumont (the “City”) between State Route 60 and Interstate 10. More specifically, the District is located north of Oak Valley Parkway along Tukwet Canyon Parkway. SDC Fairway Canyon, LLC, a Delaware limited liability company (the “Developer”), is the master developer of the property within the District. The Developer has entered into a Development Management Agreement with Argent Management LLC, a Delaware limited liability company (“Argent Management”), to perform development management functions with respect to the development within the District. The Developer has sold all of the Property planned for residential development within the District to three merchant builders: Woodside 05S, LP, a California limited partnership (“Woodside”); Western Pacific Housing, Inc., a Delaware corporation doing business in California as “D.R. Horton America’s builder” (“D.R. Horton”); and KB Home, California LLC, a Delaware limited liability company (“KB Home”).

See the captions “PROPERTY OWNERSHIP AND THE DEVELOPMENTS—The Project—*The Developer*” for more information regarding Argent Management, and see the captions “PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Developments” and “—The Merchant Builders” for more information regarding the merchant builders.

Formation Proceedings. The District was formed by the City pursuant to the Act and constitutes a governmental entity separate and apart from the City.

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. 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.

Pursuant to the Act, the City formed the District on May 17, 2016. Subsequent to a noticed public hearing on May 17, 2016, the City Council adopted resolutions which established the District, authorized the levy a special tax within the District, determined the necessity to incur bonded indebtedness within the District, 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 May 17, 2016, 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 \$13,000,000 and approved a rate and method of apportionment of special tax for the District (the “Rate and Method”). A copy of the Rate and Method is attached hereto as Appendix A.

Property Ownership and Development Status

The District is located in the northwestern part of the City north of Oak Valley Parkway along Tukwet Canyon Parkway. The development within the District is planned for 372 proposed single family homes divided into four neighborhoods. The balance of the property within the District is anticipated to be used for recreational facilities, parks and open space, including a 7 acre neighborhood park to be constructed by the Developer. The Developer estimates that the park will cost approximately \$1.8 million and will be completed by early December 2020. The Developer has set aside the funds necessary to construct the park and can draw upon them at any time.

All property planned for residential development in the District has been sold by the Developer to three merchant builders. Woodside is developing the Oak Ridge at The Fairways project, D.R. Horton is developing the Viridian Pointe at The Fairways and the Windsor at The Fairways projects and KB Home has developed the Cherry Blossom at The Fairways project. All of the parcels initially owned by KB Home have been conveyed to individual homeowners. As of January 1, 2019, 301 of the 372 lots had been conveyed to individual homeowners, and 25 were in escrow with individual homeowners. As of January 1, 2019, construction was ongoing on 26 homes, 12 homes were completed but unsold by the merchant builders and 33 lots were in finished condition. As of March 1, 2019, building permits had been pulled for an additional 6 lots. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” herein.

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,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions “—Appraisal Report” and “THE COMMUNITY FACILITIES DISTRICT—Appraisal Report.”

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

General. The Bonds and any Parity Bonds are limited obligations of the District, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Special Taxes to be levied annually against the property in the District, or, to the extent necessary, from the moneys on deposit in the Reserve Account. As described herein, the Special Taxes are collected along with *ad valorem* property taxes on the tax bills mailed by the Treasurer-Tax Collector of the County of Riverside (the “County”). Although the Special Taxes will constitute a lien on the property subject to taxation in the District, they will not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the City nor general obligations of the District, but are special obligations of the District payable solely from Special Taxes collected in the District and amounts held under the Indenture as more fully described herein.

Special Tax. As used in this Official Statement, the term “Special Tax” is that tax which has been authorized pursuant to the Act to be levied against certain land within the District pursuant to the Act and in accordance with the Rate and Method to pay for facilities only, but excluding penalties and interest imposed upon delinquent installments. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes” and APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Indenture, the District will pledge to repay the Bonds and any Parity Bonds from the Special Tax revenues remaining after the payment of annual Administrative Expenses of the District up to the Administrative Expenses Cap (the “Net Taxes”) and from amounts on deposit in the Special Tax Fund established under the Indenture.

The Special Taxes are the primary security for the repayment of the Bonds and any Parity 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 and any Parity Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein. See “SOURCES OF PAYMENT FOR THE BONDS—Reserve Account of the Special Tax Fund.”

Special Taxes within the District were first levied in Fiscal Year 2016-17.

Reserve Account. The Indenture creates a Reserve Account for the Bonds. In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account an amount equal to the Reserve Requirement for the Bonds and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement for the Bonds. The initial

Reserve Requirement for the Bonds shall be \$546,937.50, and the Reserve Requirement shall never exceed this amount. See “SOURCES OF PAYMENT FOR THE BONDS—Reserve Account of the Special Tax Fund.”

Foreclosure Proceeds. The District will covenant in the Indenture for the benefit of the Owners of the Bonds and the landowners of the District securing such Bonds that it will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than July 1 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies within the District, if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$2,500 or more or as to any single parcel the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes within the District, 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 45 days of such determination, and (if the delinquency remains uncured) the District will cause judicial foreclosure proceedings to be filed in the Superior Court within ninety (90) days of such determination against all properties for which the Special Taxes remain delinquent.

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

The District does not participate in the County’s Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”); accordingly, the collection of Special Taxes are subject to delinquency. See “SOURCES OF PAYMENT FOR THE BONDS—No Teeter Plan.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND CERTAIN AMOUNTS HELD UNDER THE BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Parity Bonds for Refunding Purposes Only. Under the terms of the Indenture, the District may issue additional bonds secured by the Net Taxes on a parity with the Bonds (“Parity Bonds”) if certain conditions are met; provided, however, that Parity Bonds may only be issued for the purpose of refunding the Bonds or other Parity Bonds. See “SOURCES OF PAYMENT FOR THE BONDS—Issuance of Parity Bonds.” Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Bond owners. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—DEFEASANCE AND PARITY BONDS.”

Liens. 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 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” herein. See Table 4 for a description of the direct and overlapping debt applicable to the parcels within the District.

Appraisal Report

An MAI appraisal of certain land and existing improvements within the District (the “Appraisal Report”) was prepared by Integra Realty Resources, Rocklin, California (the “Appraiser”). The Appraisal Report is dated February 13, 2019. See APPENDIX H—“APPRAISAL REPORT.” The Appraisal Report

provides an estimate of the approximate market value of certain of the property in the District, assuming development of the property as currently planned, and assessed value of the remainder of the taxable property in the District. As currently planned, development in the District will consist of 372 residential units. The Appraisal Report appraised 241 of the lots within the District and relied on the assessed value for the remaining 131 lots. As of January 1, 2019, the Appraiser estimates that the value of all of the Taxable Parcels (based on appraised and assessed value) within the District subject to the Special Tax was \$117,498,300, though such conclusion was based on construction status as of December 23, 2018. Unlike the majority of the information presented elsewhere in this Official Statement, which reflects the construction status as of January 1, 2019, the construction status as of December 23, 2018 was as follows: 38 parcels were in finished lot condition, 26 parcels contained homes that were under construction and 308 parcels contained completed homes. The Appraiser is of the opinion that, after accounting for the updated construction status as of January 1, 2019, the value of all of the Taxable Parcels within the District subject to the Special Tax was not less than \$117,498,300.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix H. The City, the District and the Underwriter make no representations as to the accuracy of the Appraisal Report. See “THE COMMUNITY FACILITIES DISTRICT—Appraisal Report” and “—Value-to-Lien Ratios.” There is no assurance that property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the land owner. See “THE COMMUNITY FACILITIES DISTRICT,” “SPECIAL RISK FACTORS—Land Values” and APPENDIX H—“APPRAISAL REPORT” herein.

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. 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 Indenture. See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee 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. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as described in the Indenture. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—GENERAL AUTHORIZATION AND BOND TERMS—Transfers Outside Book-Entry System” herein.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See “THE BONDS—Redemption.” For a more complete description 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 BOND INDENTURE” herein.

Professionals Involved in the Offering

Wilmington Trust, National Association, Costa Mesa, California, will act as Trustee under the Indenture. Piper Jaffray & Co. will serve as the underwriter (the “Underwriter”) of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure

Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the District and the City by Slovak, Baron, Empey, Murphy & Pinkney LLP, Palm Springs, California, for the Underwriter by Kutak Rock LLP, Irvine, California, as counsel to the Underwriter, and for the Trustee by its counsel. Other professional services have been performed by Integra Realty Resources, Rocklin, California, as the Appraiser, Urban Futures, Inc., Tustin, California, as Municipal Advisor to the City and the District, and Webb Municipal Finance, LLC, Riverside, California, as Special Tax Consultant.

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” herein.

Continuing Disclosure

The District has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the “Rule”) certain financial information and operating data on an annual basis (the “District Reports”). The District has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the “Listed Events”). These covenants have been made in order to assist the Underwriter in complying with the Rule. The District Reports will be filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”) available on the Internet at <http://emma.msrb.org>. Notices of Listed Events will also be filed with the MSRB. The District has not previously entered into any continuing disclosure obligations. The City will assist the District in preparing the District Reports. Within the last five years, certain related entities of the City have failed to comply in certain respects with prior continuing disclosure undertakings. See “CONTINUING DISCLOSURE.”

See “CONTINUING DISCLOSURE” herein and Appendix E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto for a description of the specific nature of the annual reports to be filed by the District and notices of Listed Events and a copy of the continuing disclosure undertaking pursuant to which such District Reports are to be made.

SEC Order

On August 23, 2017, following an offer of settlement by the Beaumont Financing Authority (the “BFA”), the U.S. Securities and Exchange Commission (“SEC”) entered a Cease-and-Desist Order and imposed certain undertakings on the BFA (the “SEC Order”). The BFA neither admits nor denies the findings in the SEC Order. The members of the City Council of the City act as the Board of Directors of the BFA and City staff acts as the staff of the BFA. A copy of the SEC Order is attached hereto as Appendix G.

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. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See “SPECIAL RISK FACTORS” herein.

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 Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the

Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the 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 Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture 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 City at 550 East 6th Street, Beaumont, California 92223.

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	\$ 9,045,000.00
Plus Net Original Issue Premium	<u>447,641.45</u>
Total Sources	<u>\$ 9,492,641.45</u>
Uses of Funds:	
Acquisition and Construction Fund ⁽¹⁾	\$ 8,637,028.95
Costs of Issuance ⁽²⁾	308,675.00
Reserve Account	<u>546,937.50</u>
Total Uses	<u>\$ 9,492,641.45</u>

⁽¹⁾ See “THE COMMUNITY FACILITIES DISTRICT—Description of Authorized Facilities” for a list of facilities eligible to be financed with Bond proceeds deposited into the Acquisition and Construction Fund.

⁽²⁾ Includes Underwriter’s Discount, Bond Counsel fees, Disclosure Counsel fees, Special Tax Consultant fees, Municipal Advisor fees, Trustee fees, printing costs and other issuance costs.

Source: The Underwriter.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on 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.

Interest will be calculated on the basis of a 360-day year comprised of 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 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 occurring after the issuance of such Bond, in which event interest will be payable from the dated date of the Bond; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond, interest on that Bond will be payable from its dated date.

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

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the Bond Register. In addition, with respect to any Bonds owned by the District and upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds, payment will be made by wire transfer in immediately available funds to an account designated by such Owner.

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 Trustee in Costa Mesa, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as 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 F—"BOOK-ENTRY-ONLY SYSTEM."

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE BONDS—Redemption.”

<i>Date (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$ 225,000.00	\$ 184,978.72	\$ 439,978.72
2020	160,000.00	386,387.50	546,387.50
2021	165,000.00	381,587.50	546,587.50
2022	170,000.00	376,637.50	546,637.50
2023	175,000.00	371,537.50	546,537.50
2024	180,000.00	364,537.50	544,537.50
2025	185,000.00	360,487.50	545,487.50
2026	190,000.00	355,862.50	545,862.50
2027	195,000.00	348,262.50	543,262.50
2028	205,000.00	338,512.50	543,512.50
2029	215,000.00	328,262.50	543,262.50
2030	225,000.00	317,512.50	542,512.50
2031	240,000.00	306,262.50	546,262.50
2032	250,000.00	294,262.50	544,262.50
2033	260,000.00	285,825.00	545,825.00
2034	270,000.00	276,725.00	546,725.00
2035	280,000.00	266,937.50	546,937.50
2036	290,000.00	256,787.50	546,787.50
2037	300,000.00	245,912.50	545,912.50
2038	310,000.00	234,662.50	544,662.50
2039	320,000.00	222,650.00	542,650.00
2040	335,000.00	210,250.00	545,250.00
2041	350,000.00	193,500.00	543,500.00
2042	370,000.00	176,000.00	546,000.00
2043	385,000.00	157,500.00	542,500.00
2044	405,000.00	138,250.00	543,250.00
2045	425,000.00	118,000.00	543,000.00
2046	450,000.00	96,750.00	546,750.00
2047	470,000.00	74,250.00	544,250.00
2048	495,000.00	50,750.00	545,750.00
2049	<u>520,000.00</u>	<u>26,000.00</u>	<u>546,000.00</u>
Total	\$ 9,045,000.00	\$ 7,745,841.22	\$ 16,790,841.22

Source: The Underwriter.

Redemption

Optional Redemption. The Bonds may be redeemed, at the option of the District, from any source of funds, other than Prepayments, on any date on or after September 1, 2025, in whole, or in part by lot, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed):

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, 2025 through August 31, 2026	103%
September 1, 2026 through August 31, 2027	102
September 1, 2027 through August 31, 2028	101
September 1, 2028 and any date thereafter	100

In the event the District elects to optionally redeem Bonds, the District shall give written notice to the Trustee of its election to so redeem, the redemption date and the principal amount of the Bonds of each maturity to be redeemed. The notice to the Trustee shall be given at least 45 but no more than 60 days prior to the redemption date, or by such later date as is acceptable to the Trustee, in its sole discretion.

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption as a whole or in part, on any Interest Payment Date, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account plus amounts transferred from the Reserve Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Dates</i>	<i>Redemption Price</i>
Interest Payment Dates to and including March 1, 2026	103%
September 1, 2026 and March 1, 2027	102
September 1, 2027 and March 1, 2028	101
September 1, 2028 and each Interest Payment Date thereafter	100

Prepayments and amounts released from the Reserve Account in connection with Prepayments will be allocated to the redemption of the Bonds and any Parity Bonds as nearly as practicable on a proportionate basis based on the outstanding principal amount of the Bonds and any Parity Bonds and shall be applied to redeem Bonds and Parity Bonds as nearly as practicable on a pro rata basis among maturities in increments of \$5,000; provided, however, that, for Prepayments of less than \$50,000, the District may specify in a Certificate of an Authorized Representative that Prepayments be applied to one or more maturities of the Bonds or Parity Bonds so long as there is delivered to the Trustee a Certificate of the Special Tax Consultant that, following such redemption from Prepayments, the maximum Special Taxes that may be levied in each Fiscal Year on Developed Property is not less than 110% of Maximum Annual Debt Service net of the Administrative Expenses Cap.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 2044 (the “2044 Term Bonds”) shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on September 1, 2040, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2044 Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2040	\$335,000
2041	350,000
2042	370,000
2043	385,000
2044 (maturity)	405,000

The Term Bonds maturing on September 1, 2049 (the “2049 Term Bonds”) shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account,

on September 1, 2045, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2049 Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2045	\$425,000
2046	450,000
2047	470,000
2048	495,000
2049 (maturity)	520,000

In the event of a partial optional redemption or extraordinary redemption of 2044 Term Bonds or 2049 Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000.

Selection of Bonds and Parity Bonds for Redemption. If less than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof. So long as the Bonds are registered in the name of the Nominee, such Bonds or any portion thereof shall be selected by the Depository in accordance with its operating procedures.

Notice of Redemption. So long as the Bonds are held in book-entry form, the Beneficial Owners will not be mailed any notice of redemption by the Trustee. It is the responsibility of DTC Participants to provide such notice. See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM.” The Trustee is obligated to provide at least 30 days but not more than 45 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the respective registered owners of the Bonds at the addresses appearing on the Bond registration books; provided, however, so long as the Bonds and Parity Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The notice of redemption must: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds or Parity Bonds of one maturity are to be redeemed, the bond numbers of such issue need not be specified; (ii) state the date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (vi) state the date of issue of the Bonds as originally issued; (vii) state the rate of interest borne by each Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee. Such notice must 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.

So long as notice of redemption has been provided as set forth in the Indenture, the actual receipt by the owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive such notice nor any defect therein will affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Any redemption notice for an optional redemption of the Bonds delivered in accordance with the Indenture may be conditional, and, if any condition stated in the redemption notice has not been satisfied on or prior to the redemption date: (i) the redemption notice will be of no force and effect, (ii) the District will not be required to redeem such Bonds, (iii) the redemption will not be made, and (iv) the Trustee will within a reasonable time thereafter give notice to the persons to whom such conditional redemption notice was given in

the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Effect of Redemption. When notice of redemption has been given, and when the amount necessary for redemption has been made available for that purpose and is available therefor on the date fixed for such redemption, the Bonds designated for redemption will become due and payable on the date fixed for redemption upon presentation and surrender of the Bonds at the place specified in the notice of redemption. Bonds or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest. As of the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

Purchase in lieu of Redemption. The Bonds may be purchased by the District in lieu or partially in lieu of redemption of Bonds. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—CREATION OF FUNDS AND APPLICATION OF PROCEEDS—Redemption Account of the Special Tax Fund.”

Registration, Transfer and Exchange

Registration. The Trustee will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Trustee.

Transfer or Exchange. Whenever any Bond is surrendered for registration of transfer or exchange, the Trustee 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 Trustee 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 amounts pledged under the Indenture and from no other sources.

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 Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein, for the exclusive benefit of the owners of the Bonds, and foreclosure proceeds resulting from the sale of delinquent parcels if and when available. See “—Reserve Account of the Special Tax Fund.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, 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 CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on May 17, 2016 for the purpose of financing the various public improvements and services required in connection with the proposed development within the District. On May 17, 2016, 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 \$13,000,000, secured by special taxes levied on property within the District to finance the Facilities (as defined under the caption “THE COMMUNITY FACILITIES DISTRICT—Description of Authorized Facilities”). The landowners within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness issued by the District, including the Bonds. There are two types of special taxes levied by the District: a special tax for facilities and a special tax for services. Throughout this Official Statement, all references to the Special Tax shall refer to the special tax for facilities. **The special tax for services is not pledged to, and shall not be available to make payments on, the Bonds.**

The District will covenant in the Indenture that it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds and any Parity Bonds, to maintain the Reserve Account at the Reserve Requirement and to pay the estimated Administrative Expenses.

The “Special Taxes” are the special taxes for facilities authorized to be levied and collected by the District in accordance with the Rate and Method and the Act. The Special Taxes are collected in the manner and at the same time as *ad valorem* property taxes are collected and are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The “Net Taxes” pledged by the District to the Bonds (and any Parity Bonds) is defined in the Indenture as the “Gross Taxes” minus amounts permitted to be set aside prior to the payment of the principal of and interest on the Bonds and Parity Bonds in order to pay Administrative Expenses up to the Administrative Expenses Cap. The Administrative Expenses Cap shall be \$30,000 annually.

“Gross Taxes” is defined in the Indenture as the amount of all Special Taxes received by the District from the Treasurer, together with all payments made with respect to tax-defaulted parcels (including all delinquent and redemption penalties, fees and costs) and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture.

Except for Prepayments which shall be deposited to the Redemption Account, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to:

- (1) The Administrative Expenses Fund;
- (2) The Interest Account of the Special Tax Fund;
- (3) The Principal Account of the Special Tax Fund;
- (4) The Redemption Account of the Special Tax Fund;
- (5) The Reserve Account of the Special Tax Fund;
- (6) The Rebate Fund; and

(7) The Surplus Fund.

Notwithstanding the foregoing, the total amount transferred to the Administrative Expenses Fund in a Bond Year shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement.

See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE.”

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. The initial Special Tax levy commenced in Fiscal Year 2016-17. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. 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 the caption “*Limitation on Special Tax Levy and Potential Impact on Coverage*” below and “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” herein.

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 City Council and the electors within the District have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described below. There are two types of special taxes levied by the District: a special tax for facilities and a special tax for services. Throughout this Official Statement, all references to the Special Tax shall refer to the special tax for facilities. **The special tax for services is not pledged to, and shall not be available to make payments on, the Bonds.**

The following is a synopsis of the provisions of the Rate and Method for the District, which should be read in conjunction with the complete text of the Rate and Method which is attached to this Official Statement as APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” 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 the entire Rate and Method attached as Appendix A.

“*Building Permit*” means a permit for new construction for a residential or non-residential structure. For purposes of this definition, “Building Permit” shall not include permits for construction or installation of retaining walls, utility improvements, or other such improvements not intended for human habitation.

“*Developed Property*” means all Assessor’s Parcels for which Building Permits were issued on or before March 1 of the prior Fiscal Year, provided that such Assessor’s Parcels were created on or before January 1 of the prior Fiscal Year and that each such Assessor Parcel is associated with a Lot, as determined by the CFD Administrator.

“*Exempt Property*” means all Assessor’s Parcels designated as being exempt from Special Taxes as more fully set forth below.

“*Final Map Property*” means Assessor’s Parcels: (i) that are included in a Final Map that was recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit was not issued prior to the March 1 preceding the Fiscal Year in which the Special Tax is being levied, as determined by the CFD Administrator.

“*Minimum Acreage*” means the smallest allowable amount of taxable acreage. For the District, it shall not be less than 63.04 acres. The acreage per Zone is as follows: (i) Zone 1 - 18.41 acres, (ii) Zone 2 - 33.04 acres, and (iii) Zone 3 - 11.59 acres.

“*Special Tax for Facilities*” means any of the special taxes authorized to be levied within the District pursuant to the Act to fund the Special Tax Requirement for Facilities.

“*Special Tax Requirement for Facilities*” means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) the collection or accumulation of funds for the acquisition or construction of facilities authorized by the District provided that the inclusion of such amount does not cause an increase in the levy of Special Tax for Facilities on Final Map Property or Undeveloped Property, less (vi) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

“*Taxable Property*” means all Assessor’s Parcels within the District, which are not Exempt Property, as determined by the CFD Administrator.

“*Undeveloped Property*” means all Assessor’s Parcels of Taxable Property which are not Developed Property or Final Map Property, as determined by the CFD Administrator.

“*Zones*” means Zone 1, 2 or 3 as geographically identified on the CFD Boundary Map.

“*Zone 1*” means the specific geographic area as depicted in the Rate and Method and containing Assessor’s Parcels located along the golf course frontage.

“*Zone 2*” means the specific geographic area as depicted in the Rate and Method.

“*Zone 3*” means the specific geographic area as depicted in the Rate and Method.

Exempt Property. The City shall classify as Exempt Property: (i) Assessor’s Parcels owned by the State of California, Federal or other local governments, (ii) Assessor’s Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor’s Parcels used exclusively by a homeowners’ association, or (iv) Assessor’s Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, provided that no such classification would reduce the sum of all Taxable Property to less than the Minimum Acreage. Notwithstanding the above, the City Council shall not classify an Assessor’s Parcel as Exempt Property pursuant to this paragraph if such classification would reduce the sum of all Taxable Property to less than the Minimum Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Acreage will continue to be classified as Undeveloped Property, and will continue to be subject to Special Taxes accordingly.

Maximum Special Tax. The Maximum Special Tax provided for in the Rate and Method is as follows:

Developed Property

The Maximum Special Tax for each Assessor’s Parcel of Residential Property that is classified as Developed Property in any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Special Tax or (ii) the application of the Backup Special Tax. The Maximum Special Tax for each Assessor’s Parcel of Non-Residential Property that is classified as Developed Property in any Fiscal Year shall be the Assigned Annual Special Tax.

Undeveloped Property and Final Map Property

The Maximum Special Tax for each Assessor's Parcel classified as Undeveloped Property and Final Map Property in any Fiscal Year shall be the Assigned Special Tax. The Assigned Special Tax for Final Map Property and Undeveloped Property is \$11,869 per Acre in Zone 1, \$9,607 per Acre in Zone 2 and \$12,546 per acre in Zone 3.

Assigned Special Tax. The Assigned Special Tax is determined as follows:

Developed Property

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Developed Property for any Fiscal Year shall range from: \$1,830 to \$2,150 for Residential Property within Zone 1; from \$1,440 to \$2,019 for Residential Property within Zone 2; and from \$1,440 to \$2,019 for Residential Property within Zone 3. The Assigned Special Tax for Non-Residential Property is \$11,869 per Acre within Zone 1, \$9,607 per Acre within Zone 2 and \$12,546 per Acre within Zone 3.

Backup Special Tax. The Backup Special Tax shall be determined as follows:

Each Fiscal Year, each Assessor's Parcel of Developed Property classified as Residential Property shall be subject to a Backup Special Tax. In each Fiscal Year, the Backup Special Tax rate for Developed Property classified as Residential Property within each Zone shall be the maximum Special Tax rate per acre for Undeveloped Property in the respective Zone for the applicable Fiscal Year multiplied by the acreage of Developed Property classified or to be classified as Residential Property in such Zone, divided by the number of Lots in the Zone which are classified or to be classified as Residential Property.

Notwithstanding the foregoing, if Assessor's Parcels of Developed Property which are classified or to be classified as Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax for the area that has been changed or modified shall be a rate per square foot of Acreage for each Zone calculated as follows:

1. Determine the total Backup Special Tax 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 Acreage of Developed Property classified or to be classified as Residential Property which is ultimately expected to exist in such changed or modified Final Map area, as reasonably determined by the CFD Administrator.
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.

Method of Apportionment of Special Tax. Commencing Fiscal Year 2016-17 and for each subsequent Fiscal Year until terminated, the City Council shall levy Special Taxes on all Taxable Property until the amount of Special Taxes levied equals the Special Tax Requirement in accordance with the following steps:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax rate as needed to satisfy the Special Tax Requirement for Facilities;

Second: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Final Map Property, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities;

Third: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, excluding any Undeveloped Property pursuant to Section J of the Rate and Method, at up to 100% of the Assigned Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then for each Assessor's Parcel of Developed Property whose Maximum Special Tax for Facilities is the Backup Special Tax for Facilities shall be increased Proportionately from the Assigned Special Tax for Facilities up to 100% of the Backup Special Tax for Facilities as needed to satisfy the Special Tax Requirement for Facilities; and

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property classified as Undeveloped Property pursuant to Section J of the Rate and Method at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.

Prepayment of Special Taxes. The Special Tax obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Final Map Property or Undeveloped Property for which a building permit has been issued or an Assessor's Parcel of Undeveloped Property that is classified as Undeveloped Property and will be classified as Developed Property in the next Fiscal Year may be prepaid in part or in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time that the Special Tax obligation would be prepaid. The Prepayment Amount is calculated based on the Bond Redemption Amount plus Redemption Premium plus Future Facilities Amount plus the Defeasance amount plus the Administrative Fee, and less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any), all as specified in APPENDIX A—"RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX—Section G." No parcels within the District have prepaid their Special Tax obligation.

Estimated Debt Service Coverage. Pursuant to the Rate and Method, and subject to the Maximum Special Taxes prescribed therein and permitted by the Act, the District will only levy Special Taxes in an amount sufficient to achieve the Special Tax Requirement. The Bonds have been sized so that the Assigned Special Taxes that may be levied in each Fiscal Year produce an amount equal to at least 110% of the debt service due on the Bonds in such Fiscal Year plus Administrative Expenses of \$30,000. The District expects to levy Special Taxes only on Developed Property going forward, though it has the ability under the Rate and Method to levy against Final Map Property and Undeveloped Property if necessary. In Fiscal Year 2018-19, Special Taxes were levied only against the 302 lots then classified as Developed Property. It is expected that all remaining building permits will be pulled by May 2019, in which case all property within the District will be classified as Developed Property beginning in Fiscal Year 2020-21.

Limitation on Special Tax Levy and Potential Impact on Coverage. Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor's parcel for which a building permit has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel 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. As a result, it is possible that the District

may not be able to increase the tax levy to the Assigned Special Tax in all years. In addition, under the Rate and Method, the Maximum Special Tax for Facilities may not be levied after Fiscal Year 2055-56.

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

The County of Riverside assesses and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County of Riverside, including the Special Taxes for the District. The delinquency dates for property tax payments are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County of Riverside conducts its internal reconciliation for accounting purposes and distributes the City's share of such taxes (including the Special Taxes) to the City, periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the County of Riverside in the Riverside County Investment Pool (the "Pool") which is invested by the County Treasurer. If the County of Riverside or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that District property taxes held in the Pool (including the Special Taxes), if any, could be temporarily unavailable to the County of Riverside. The District does not participate in the County's Teeter Plan, which is an alternate method for allocating property taxes by counties. Accordingly, the collection of Special Taxes is subject to delinquencies.

The first installment of the Special Tax for Fiscal Year 2018-19 was levied on 302 parcels in the District in the amount of \$257,725. With respect to the first installment only, as of March 1, 2019, \$6,378, representing seven parcels, or approximately 2.47% of the Special Tax, was delinquent and remained outstanding. See "THE COMMUNITY FACILITIES DISTRICT—Delinquency History."

The District will make certain covenants in the Indenture for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District will covenant that, to the extent it is legally permitted to do so, it will not reduce the maximum Special Tax rates and will oppose the reduction of maximum Special Tax rates by initiative where such reduction would reduce the maximum Special Taxes below current levels unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, among other things, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method then in effect in the District) in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the estimated Administrative Expenses and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant shall assume Administrative Expenses equal to the Administrative Expense Cap.

Second, the District will covenant not to permit the tender of Bonds or Parity Bonds in payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE."

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. In addition to the obligation to pay

Special Taxes, properties in the District are subject to other assessments and special taxes as set forth under Table 5 herein. These other special taxes and assessments are co-equal to the lien for the Special Taxes. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments” herein. 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.”

Proceeds of Foreclosure Sales. The proceeds of delinquent Special Taxes received following a judicial foreclosure sale of parcels within the District resulting from a landowner’s failure to pay the Special Taxes when due, up to the amount of the delinquent Special Tax lien, are included within the Special Tax revenues pledged to the payment of principal and interest on the Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant in the Indenture for the benefit of the Owners of the Bonds and the landowners of the District securing such Bonds that it will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than July 1 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies within the District, if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$2,500 or more or as to any single parcel the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes within the District, 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 45 days of such determination, and (if the delinquency remains uncured) the District will cause judicial foreclosure proceedings to be filed in the Superior Court within ninety (90) days of such determination against all properties for which the Special Taxes remain delinquent.

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

See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—COVENANTS AND WARRANTY” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) 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 City and the District. See “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure” herein. 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—Property Values” herein. 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 City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other

purchaser at such sale. 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.

No Teeter Plan

The District does not participate in the County's Teeter Plan described above. Accordingly, the collection of Special Taxes is subject to delinquencies.

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account an amount equal to the Reserve Requirement and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement.

In the Indenture, "Reserve Requirement" is defined to mean that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any. Notwithstanding the foregoing, in no event shall the Reserve Requirement exceed the initial Reserve Requirement of \$546,937.50.

Subject to the limits on the maximum annual Special Tax which may be levied within the District in accordance with the Rate and Method set forth in Appendix A, the District will covenant to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other moneys in the Interest Account and the Principal Account are insufficient therefor; (ii) make any required transfer to the Rebate Fund pursuant to the Indenture; (iii) redeem the Bonds and any Parity Bonds in whole or in part; and (iv) pay the principal and interest due in the final year of maturity of a series of the Bonds and any Parity Bonds. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—CREATION OF FUNDS AND APPLICATION OF PROCEEDS—Reserve Account of the Special Tax Fund" herein.

Surplus Fund

After the transfer of Administrative Expenses to the Administrative Expense Fund up to the Administrative Expenses Cap, the payment of principal of and interest on the Bonds when due, transfers to the Redemption Account to pay principal and premium, if any, on Bonds called for redemption, transfers to replenish the Reserve Account to the Reserve Requirement and any required transfers to the Rebate Fund, as soon as practicable after each September 1, and in any event prior to each September 15, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, other than amounts in the Special Tax Fund which (i) the District has included as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture or (ii) amounts to be transferred to the Acquisition and Construction Fund because such amounts were included in the levy of Special Taxes for the previous Fiscal Year to pay for the acquisition or construction of the Project. Moneys deposited in the Surplus Fund may be applied to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor, to replenish the Reserve Account to the Reserve Requirement, to pay Administrative Expenses in excess of the Administrative Expenses Cap, to pay Project Costs, or for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or any Parity Bonds and may be used by the District for any lawful purpose.

Issuance of Parity Bonds

The District may at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds which may only be issued to effect a partial refunding may be issued if the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds in each Bond Year.

See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—DEFEASANCE AND PARITY BONDS—Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness.”

THE COMMUNITY FACILITIES DISTRICT

General

The City formed the District on May 17, 2016. The District is located in the northwestern part of the City, between State Route 60 and Interstate 10, and north of Oak Valley Parkway along Tukwet Canyon Parkway. The District is comprised of approximately 101.8 acres of land, of which approximately 67.04 acres is taxable. The District is being developed by three merchant builders and is expected to consist of 372 residential units at full buildout, which is expected to occur in October 2019.

Status of Development in the District

The property within the District contains 372 lots, which, as of January 1, 2019, consisted of 339 parcels classified as Developed Property and 33 parcels classified as Final Map Property. As of January 1, 2019, individual homeowners owned 301 lots (with another 25 homes in escrow to be sold to individual homeowners), D.R. Horton owned 12 lots and Woodside owned 59 lots. As of such date, KB Home had built and sold all of its units within the District to individual homeowners and did not own any property within the District. Of the 12 lots owned by D.R. Horton, 9 single-family homes were under construction as of January 1, 2019 and 3 were completed and unsold. Of the 59 lots owned by Woodside, 9 were completed and unsold homes, 17 were homes under construction and 33 were finished lots. The Developer does not currently own any Property within the District. As of January 1, 2019, 339 lots had building permits pulled. As of March 1, 2019, building permits had been pulled for an additional 6 lots. Woodside expects to pull the remaining building permits by May 2019, in which case all parcels within the District will be classified as Developed Property for the Fiscal Year 2020-21 Special Tax levy. The District expects to only levy Special Taxes against Developed Property in the future, although it has the ability under the Rate and Method to levy against Final Map Property and Undeveloped Property, if necessary.

See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” herein for further information regarding property ownership within the District.

Annual Debt Service for the Bonds has been structured so that Assigned Special Taxes levied on all taxable parcels of Developed Property at buildout, assuming no delinquencies, will generate in each Fiscal Year not less than 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, plus estimated Administrative Expenses, assuming that Special Taxes are levied and collected on such Developed Property in the District pursuant to the Rate and Method.

Table 1 below sets forth the Assigned Special Tax per unit of Developed Property, the projected Fiscal Year 2019-20 Special Tax levy and the percent of such levy based on land use class as of March 1, 2019.

**TABLE 1
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1 THE DISTRICT
ASSIGNED SPECIAL TAXES**

<i>Zone/Land Use Class</i>	<i>Land Use⁽¹⁾</i>	<i>No. of Units</i>	<i>Assigned Special Tax</i>	<i>Projected Fiscal Year 2019-20 Special Tax</i>	<i>Total Projected Fiscal Year 2019-20 Special Tax Levy⁽²⁾</i>	<i>Percent of Total</i>
<u>Zone 1</u>						
1	Residential Less than 2,300 sq. ft.	4	\$1,830 per parcel	\$1,789 per Unit	\$ 7,155	1.24%
2	Residential 2,300 sq. ft. to 2,799 sq. ft.	50	1,863 per parcel	1,821 per Unit	91,053	15.80
3	Residential 2,800 sq. ft. to 3,499 sq. ft.	40	1,999 per parcel	1,954 per Unit	78,160	13.56
4	Residential Greater than 3,499 sq. ft.	11	2,150 per parcel	2,102 per Unit	23,118	4.01
N/A	Final Map Property	2	11,869 per acre	0 per Acre	0	0.00
<u>Zone 2</u>						
1	Residential Less than 2,300 sq. ft.	12	\$1,440 per parcel	\$1,408 per Unit	\$ 16,891	2.93
2	Residential 2,300 sq. ft. to 2,799 sq. ft.	71	1,600 per parcel	1,564 per Unit	111,043	19.27
3	Residential 2,800 sq. ft. to 3,499 sq. ft.	51	1,865 per parcel	1,823 per Unit	92,974	16.13
4	Residential Greater than 3,499 sq. ft.	12	2,019 per parcel	1,974 per Unit	23,683	4.11
N/A	Final Map Property	25	9,607 per acre	0 per Acre	0	0.00
<u>Zone 3</u>						
1	Residential Less than 2,300 sq. ft.	94	\$1,440 per parcel	\$1,408 per Unit	\$ 132,313	22.96
2	Residential 2,300 sq. ft. to 2,799 sq. ft.	0	1,600 per parcel	0 per Unit	0	0.00
3	Residential 2,800 sq. ft. to 3,499 sq. ft.	0	1,865 per parcel	0 per Unit	0	0.00
4	Residential Greater than 3,499 sq. ft.	0	2,019 per parcel	0 per Unit	0	0.00
N/A	Final Map Property	0	12,546 per acre	0 per Acre	0	0.00
		372	Total		\$ 576,388	100.00%

⁽¹⁾ Reflects Developed Property unless otherwise noted as Final Map Property.

⁽²⁾ Levied in an amount sufficient to cover debt service on the Bonds and pay Administrative Expenses of \$30,000.

Source: Webb Municipal Finance, LLC.

Description of Authorized Facilities

Certain facilities are authorized to be constructed and acquired (the "Facilities") by the District. These Facilities include, but are not limited to the following:

- Sewer system improvements
- Storm drain improvements
- Dry utilities infrastructure
- Street improvements
- Gas line relocation

All of the Facilities that are to be financed in part with the proceeds of the Bonds have been completed by the Developer, and the Developer has completed all in-tract infrastructure within the District. The total cost of the Facilities was approximately \$16,000,000, and the District estimates that approximately \$8,600,000 will be paid to the Developer from the proceeds of the Bonds.

Appraisal Report

The estimated assessed value of the property within the District, as shown on the County's assessment roll for Fiscal Year 2018-19, is approximately \$70,718,370. However, as a result of the requirements of Article XIII A of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within the District, the City engaged Integra Realty Resources, the Appraiser, to prepare the Appraisal Report. 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 City through a request for proposal process and has no material relationships with the City, the District, or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-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. A copy of the Appraisal Report is included as APPENDIX H—"APPRAISAL REPORT" to this Official Statement.

The purpose of the Appraisal Report was to estimate the market value, by parcel, and aggregate value of the "as is" condition of certain of the property within the District subject to the Special Taxes that did not have an improved value on the Fiscal Year 2018-19 County Assessor's roll. The remainder of the taxable property is valued in the Appraisal based on its assessed value. 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. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of January 1, 2019 the value of the Taxable Parcels (based on market and assessed values) within the District was \$117,498,300, though such value was based on construction status as of December 23, 2018. Of the 372 lots within the District, the Appraisal Report appraised 241 of the lots and relied on the assessed value for the remaining 131 lots. See "INTRODUCTION—Appraisal Report."

In estimating the market value, the Appraiser utilized a direct comparison approach and static residual analysis for all of the property owned by the merchant builders to derive a value indication for the finalized lots within each tract adjusted by any costs to complete such finished lots.

Reference is made to Appendix H for a complete list of the assumptions and limiting conditions and 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, while the Appraiser has not updated the Appraisal Report since its date and has not undertaken any obligation to do so, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the property that it appraised in the District is less than the value reported 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.

Value-to-Lien Ratios

Table 2 below incorporates the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds allocable to each category of parcels based on the projected Fiscal Year 2019-20 Special Tax levy and development status as of January 1, 2019, and the estimated assessed/appraised value-to-lien ratios for various categories of parcels based upon land values as of January 1, 2019 as set forth in the Appraisal Report and based on information received from the Developer and the merchant builders. Based on the principal amount of the Bonds, the estimated assessed/appraised District-wide value-to-lien ratio including all Taxable Property as of January 1, 2019 is 12.99-to-1. This ratio does not include other direct and overlapping debt within the District. See “—Direct and Overlapping Indebtedness” below. Taking that direct and overlapping debt into account, the ratio of the aggregate assessed/appraised value of the Taxable Property within the District to the total principal amount of all direct and overlapping bonded debt for the District is approximately 10.52-to-1.

**TABLE 2
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1 THE DISTRICT
ASSESSED/APPAISED VALUE-TO-LIEN RATIOS
ALLOCATED BY PROPERTY OWNER**

<i>Property Owner⁽¹⁾</i>	<i>Parcels</i>	<i>Projected Fiscal Year 2019-20 Special Tax Levy⁽²⁾</i>	<i>Projected Percent of Fiscal Year 2019-20 Levy</i>	<i>Projected Fiscal Year 2019-20 Assigned Special Tax</i>	<i>Projected Percent of Fiscal Year 2019-20 Total Assigned Special Tax</i>	<i>Fiscal Year 2018-19 Assessed/ Appraised Value</i>	<i>Percent of Fiscal Year 2018-19 Assessed/ Appraised Value</i>	<i>Allocation of Bonds⁽³⁾</i>	<i>Aggregate Value-to-Lien Ratio⁽⁴⁾</i>
Final Map - Woodside	27	\$ 0	0.00%	\$ 44,679	7.04%	\$ 2,891,842	2.46%	\$ 0	N/A
Subtotal Final Map	27	0	0.00	44,679	7.04%	2,891,842	2.46%	0	N/A
Developed - Woodside	32	55,587	9.64	56,867	8.96%	\$ 4,452,854	3.79%	\$ 872,298	5.10:1
Developed – D.R. Horton	12	21,876	3.80	22,380	3.53%	2,064,553	1.76%	343,293	6.01:1
Developed - Individual Owned	301	498,925	86.56	510,416	80.46	108,089,051	91.99	7,829,409	13.81:1
Subtotal Developed	345	\$ 576,388	100.00%	\$ 589,663	92.96%	\$ 114,606,458	97.54%	\$ 9,045,000	12.67:1
Totals	372	\$ 576,388	100.00%	\$ 634,342	100.00%	\$ 117,498,300	100.00%	\$ 9,045,000	12.99:1

⁽¹⁾ Ownership status is based on information from Appraisal and from the Developer and merchant builders as of January 1, 2019. Development status is as of March 1, 2019.

⁽²⁾ Based on par amount of the Bonds plus Administrative Expenses in the amount of \$30,000.

⁽³⁾ Based on projected Fiscal Year 2019-20 Special Tax levy.

⁽⁴⁾ Aggregate Value-to-Lien based upon the par amount of the Bonds. Excludes direct and overlapping debt shown in Table 4.

Source: Webb Municipal Finance, LLC.

Table 3 below summarizes the assessed/appraised value-to-lien of the individual parcels within the District by value-to-lien range based on development status as of March 1, 2019 and ownership as of January 1, 2019.

**TABLE 3
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (FAIRWAY CANYON)
ASSESSED/APPRAISED VALUE-TO-LIEN STRATIFICATION**

<i>Assessed/Appraised Value-to-Lien⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Percent of Total Parcels</i>	<i>Projected Fiscal Year 2019-20 Special Tax Levy⁽⁴⁾</i>	<i>Projected Percent of Fiscal Year 2019-20 Levy</i>	<i>Projected Fiscal Year 2019-20 Assigned Special Tax</i>	<i>Projected Percent of Total Assigned Special Tax</i>	<i>Fiscal Year 2018-19 Assessed/Appraised Value</i>	<i>Percent of Fiscal Year 2018-19 Assessed/Appraised Value</i>	<i>Allocation of Bonds⁽⁵⁾</i>	<i>Aggregate Value-to-Lien</i>
Less than 4.00:1 ⁽²⁾	23	6.18%	\$ 42,789	7.42%	\$ 43,775	6.90%	\$ 2,512,632	2.14%	\$ 671,477	3.74:1
4.00:1 to 7.99:1	14	3.76	21,114	3.66	21,600	3.41	1,525,526	1.30	331,328	4.60:1
8.00:1 to 11.99:1	18	4.84	35,195	6.11	36,006	5.68	6,278,228	5.34	552,306	11.37:1
12.00:1 to 15.99:1	267	71.77	441,348	76.57	451,513	71.18	94,939,989	80.80	6,925,880	13.71:1
Greater than 15.99:1 ⁽³⁾	23	6.18	35,941	6.24	36,769	5.80	9,350,083	7.96	564,010	16.58:1
Final Map Property	27	7.26	0	0.00	44,679	7.04	2,891,842	2.46	0	N/A:1
Total	372	100.00%	\$ 576,388	100.00%	\$ 634,342	100.00%	\$117,498,300	100.00%	\$9,045,000	12.99:1

⁽¹⁾ Assessed/Appraised Value-to-Lien based upon par amount of the Bonds. Excludes direct and overlapping debt show in Table 4. Reflects value-to-lien for Developed Property except for the Final Map Property row. Based on development status as of March 1, 2019.

⁽²⁾ Minimum estimated appraised value-to-lien is 3.46:1. If the Bonds were allocated based on the share of the projected Fiscal Year 2019-20 Assigned Special Tax, the value-to-lien for all parcels identified as Final Map Property would be 4.58:1.

⁽³⁾ Highest estimated appraised value-to-lien is 17.36:1.

⁽⁴⁾ Based on par amount of the Bonds plus Administrative Expenses in the amount of \$30,000.

⁽⁵⁾ Based on projected Fiscal Year 2019-20 Special Tax levy.

Source: Webb Municipal Finance, LLC.

Direct and Overlapping Debt

The District is included within the boundaries of 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 Table 4 below. 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; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments.

**TABLE 4
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (FAIRWAY CANYON)
DIRECT AND OVERLAPPING DEBT**

I. ASSESSED/APPRaised VALUE						
Assessed/Appraised Valuation ⁽¹⁾						\$117,498,300
II. LAND SECURED BOND INDEBTEDNESS						
<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>No. of Parcels</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Amount Applicable</i>
CFD 2016-1 BEAUMONT	CFD	372	\$9,045,000	\$9,045,000 ⁽²⁾	100.00%	\$ <u>9,045,000</u>
TOTAL OUTSTANDING LAND SECURED BONDED DEBT⁽³⁾						\$ 9,045,000
<i>Authorized and Unissued Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>No. of Parcels</i>	<i>Authorized</i>	<i>Unissued⁽³⁾</i>	<i>% Applicable</i>	<i>Amount Applicable</i>
CFD 2016-1 BEAUMONT	CFD	372	\$13,000,000	\$3,955,000	100.00%	\$ <u>3,955,000</u>
TOTAL UNISSUED LAND SECURED INDEBTEDNESS⁽³⁾						\$ 3,955,000
TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS						\$ 13,000,000
III. GENERAL OBLIGATION BOND INDEBTEDNESS						
<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>No. of Parcels</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable⁽⁴⁾</i>	<i>Amount Applicable</i>
Beaumont Unified School B & I (0.07432%)	GO	372	\$ 91,658,583	\$88,450,508	1.22%	\$ 1,078,333
MT San Jacinto Comm (0.01320%)	GO	372	190,000,000	172,650,000	0.08	134,348
San Gorgonio Memorial Healthcare District (0.08692%)	GO	372	108,000,000	108,660,000	0.84	913,275
San Gorgonio Pass Water Agency (0.18250%)	GO	372	0	0	0.78	<u>0</u>
TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT⁽³⁾						\$ 2,125,956
<i>Authorized and Unissued Direct and Overlapping Indebtedness</i>	<i>Type</i>	<i>No. of Parcels</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable⁽⁴⁾</i>	<i>Amount Applicable</i>
Beaumont Unified School B & I (0.07432%)	GO	372	\$141,000,000	\$49,341,417	1.22%	\$ 601,540
MT San Jacinto Comm (0.01320%)	GO	372	295,000,000	105,000,000	0.08	81,706
San Gorgonio Memorial Healthcare District (0.08692%)	GO	372	108,000,000	0	0.84	0
San Gorgonio Pass Water Agency (0.18250%)	GO	372	0	0	0.78	<u>0</u>
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS						\$ 683,246
TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS						\$ 2,809,202
TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT						\$ 11,170,956
TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS						\$ 11,854,202
IV. Ratios to Appraised Valuation						
Outstanding Land Secured Bonded Debt		12.99:1				
Total Outstanding Bonded Debt		10.52:1				

⁽¹⁾ Assessed/appraised value is per the Appraisal and as of January 1, 2019.

⁽²⁾ Amount outstanding is equal to the initial principal amount of the Bonds.

⁽³⁾ The District has covenanted in the Indenture not to issue additional bonds other than for refunding purposes. See "SOURCES OF PAYMENT FOR THE BONDS—Issuance of Parity Bonds."

⁽⁴⁾ Percentage applicable determined by Fiscal Year 2018-19 Equalized Roll Assessed Value information.

Source: Webb Municipal Finance, LLC.

Annual Debt Service for the Bonds has been structured so that Assigned Special Taxes levied on all taxable parcels of Developed Property at buildout, assuming no delinquencies, will generate in each Fiscal Year not less than 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, plus estimated Administrative Expenses, assuming that Special Taxes are levied and collected on such Developed Property in the District pursuant to the Rate and Method.

Based on the principal amount of the Bonds, interest costs and estimated Administrative Expenses, and Fiscal Year 2018-19 tax rates for all other taxing jurisdictions within the District, the total projected Fiscal Year 2019-20 average effective tax rate for Developed Property in the District is approximately 1.95% of the Fiscal Year 2018-19 average assessed value for parcels with improvement values.

The following Table 5 sets forth the estimated total tax obligation of property in the District based on the average home size and an average assessed value (as provided by the County) in the District.

**TABLE 5
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (FAIRWAY CANYON)
ESTIMATED AVERAGE FISCAL YEAR 2019-20 TAX OBLIGATION⁽¹⁾**

Average Home Value ⁽²⁾	\$ 359,099
<i>Ad Valorem Property Taxes:</i>	
Basic Levy (1.0000%)	\$ 3,590.99
Beaumont Unified School B & I (0.07432%)	266.88
Gorgonio Memorial Healthcare District (0.08692%)	312.13
San Gorgonio Pass Water Agency (0.18250%)	655.36
Mt. San Jacinto Community College District (0.01320%)	<u>47.40</u>
Total General Property Taxes	\$ 4,872.76
<i>Assessment, Special Taxes & Parcel Charges:</i>	
Flood Control Stormwater/Cleanwater	\$ 3.60
San Gorgonio Hospital Measure D	55.10
CFD 2016-1 Beaumont Services Special Tax	338.88
CFD 2016-1 Beaumont Facilities Special Tax ⁽³⁾	<u>1,733.14</u>
Total Assessment Charges	<u>\$ 2,130.72</u>
Average Total Property Tax	\$ 7,003.48
Average Effective Tax Rate	1.95%

⁽¹⁾ Average Fiscal Year 2018-19 tax rates based upon Fiscal Year 2018-19 Overlapping Taxes and Assessment Rates.

⁽²⁾ Average Home Value is based upon average assessed values for developed parcels with improvement value for Fiscal Year 2018-19 per Riverside County Equalized Roll data.

⁽³⁾ Reflects the District's Average Fiscal Year 2019-20 Special Tax levy for facilities for developed parcels with an assessed value for improvements.

Source: Webb Municipal Finance, LLC, based on assessed value information provided by the County.

Delinquency History

Fiscal Year 2016-17 was the first fiscal year in which Special Taxes were levied within the District. Unpaid amounts of the Special Taxes become delinquent after December 10 and April 10 of each Fiscal Year. Table 6 below summarizes the Special Tax delinquencies within the District for Fiscal Years 2016-17 through the first installment of Fiscal Year 2018-19, as of March 1, 2019.

**TABLE 6
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (FAIRWAY CANYON)
SPECIAL TAX LEVIES, DELINQUENCIES, AND DELINQUENCY RATES
FISCAL YEARS 2016-17 THROUGH 2018-19⁽¹⁾**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies Following Fiscal Year End</i>			<i>Delinquencies as of March 1, 2019</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2016-17 ⁽²⁾	\$19,884.00	10	0	\$ 0.00	0.00%	0	\$ 0.00	0.00%
2017-18	113,547.00	61	0	0.00	0.00	0	0.00	0.00
2018-19 ⁽³⁾	257,725.00	302	N/A	N/A	N/A	7	6,378.00	2.47

⁽¹⁾ Delinquency information is as of March 1, 2019.

⁽²⁾ The Special Tax was first levied in Fiscal Year 2016-17.

⁽³⁾ Fiscal Year 2018-19 includes information for the first installment only.

Source: Webb Municipal Finance, LLC and Riverside County Tax Collector

Top Taxpayers

As of January 1, 2019, individual homeowners owned 301 of the 372 parcels in the District. Based on ownership status as of January 1, 2019 and development status as of March 1, 2019, individual homeowners are projected to be responsible for 86.56% of the Special Taxes to be levied in Fiscal Year 2019-20, with D.R. Horton and Woodside projected to be responsible for 3.80% and 9.64%, respectively. The District is not aware of any individual, other than DR Horton and Woodside, who owns more than one parcel within the District.

PROPERTY OWNERSHIP AND THE DEVELOPMENTS

The information regarding the development and ownership of the Property contained under this caption, "PROPERTY OWNERSHIP AND THE DEVELOPMENT," has been provided by representatives of SDC Fairway Canyon, LLC, a Delaware limited liability company (the "Developer"), Argent Management LLC, a Delaware limited liability company ("Argent Management"), KB Home, California LLC, a Delaware limited liability company ("KB Home"), Western Pacific Housing, Inc., a Delaware corporation ("D.R. Horton) and Woodside 05S, LP, a California limited partnership ("Woodside") and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City and the District make no representation as to the accuracy or adequacy of the information contained under this caption. There may be material adverse changes in this information after the date of this Official Statement. Neither the Bonds nor the Special Taxes securing the Bonds are personal obligations of the Developer, KB Home, D.R. Horton, Woodside or any affiliate thereof, or any other property owner and, in the event that any property owner 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 property owner or any affiliate thereof. See "SPECIAL RISK FACTORS" herein."

Property Ownership in the District

Property in the District (the "Property") consists of 372 single family lots owned as of January 1, 2019 as follows:

<u>Property Owner</u>	<u>Number of Lots</u>
D.R. Horton	12
Woodside	59
Individual Homeowners	<u>301</u>
TOTAL	<u>372</u>

The Developer has completed all backbone and in-tract infrastructure needed to develop the Property and does not currently own any of the Property.

The 372 single family lots were created by the following maps:

<u>Map</u>	<u>Date Recorded</u>	<u>Number of Lots</u>
31462-7	September 28, 2015	148
31462-8	May 3, 2017	130
36558	December 20, 2016	<u>94</u>
TOTAL		<u>372</u>

The Project

General. Fairway Canyon in Beaumont, California, is a 985-acre master-planned community entitled for up to 3,300 dwelling units that is in active development. Besides homes and recreational features, this community also features 30 acres of commercial and retail uses. Over 1,600 homes have been constructed within the Fairway Canyon project. The balance of the property within the District not being used to construct homes is anticipated to be used for recreational facilities, parks and open space, including a 7 acre neighborhood park to be constructed by the Developer. The Developer estimates that the park will cost approximately \$1.8 million and will be completed by early December 2020. The Developer has set aside the funds necessary to construct the park and can draw upon them at any time. Completion of the park is not a condition of completing development within the District.

The Developer. As previously defined in this Official Statement, “Developer” refers to SDC Fairway Canyon, LLC, a Delaware limited liability company, which is owned by SDC Fairway Delta JV, LLC, which is a joint venture owned by the following entities: Colfin FCDC Funding, LLC, DREF II CA LLC, DREF II CA II LLC, DREF II CA III LLLC, DREF II CA IV LLC, and FCDC Communities, LLC. Neither SDC Fairway Canyon, LLC nor SDC Fairway Delta JV, LLC has any officers. SDC Fairway Delta JV, LLC has managing members and an administrative member. Colfin FCDC Funding, LLC and the DREF entities are the managing members. FCDC Communities, LLC is the administrative member. Argent Management’s has been engaged as the development manager of the Project to manage the Developer.

The Developer has entered into a Development Management Agreement with Argent Management to perform development management functions with respect to the Project. Argent Management provides asset management services throughout the United States. As of January 15, 2019, and including the development within the District, Argent Management has 15 active projects under management that are anticipated to result in the construction of over 17,000 residential units in 5 states. Examples of some of Argent Management’s projects include the following:

- Summerwind Trails in Calimesa, California is a 2,500-acre master-planned community entitled for up to 3,841 residential units, including 2,356 single-family, 684 garden court and 643 townhome units. The project will also include a 260-acre town center, 1,400 acres of open space with trails, over 80 acres of public parks, and a community recreation center. Phase 1 of the project includes 633 single-family residential lots and is currently under construction.
- Oak Knoll in Oakland, California, is a master-planned community on the former site of the Naval Hospital Oakland. At build-out, the project will include 935 single-family and townhome units, 72,000 square feet of commercial retail space, and 76 acres of public parks and open space. The project just commenced construction in July 2018.
- Potomac Shores in Prince William County, Virginia, is a 1,920-acre mixed-use, master-planned waterfront community entitled for more than 3,800 homes and is under

development along the Potomac River south of Washington, D.C. The development includes a new Jack Nicklaus Signature Golf Course and clubhouse, multiple recreation buildings, and miles of community trails. Over 600 homes have been constructed within the Potomac Shores project.

- Edge-On-Hudson in Sleepy Hollow, New York, is a mixed-use, transit-oriented riverfront community entitled for 1,177 condos, townhomes and apartments, over 100,000 square feet of retail space, and 35,000 square feet of office space. Key amenities include a 1.5-mile waterfront promenade, riverview shopping and dining, health club and spa, recreational facilities, over 24 acres of community parks and gardens, and a 140-room boutique hotel.
- ShadowGlen in Manor, Texas, is a 1,400-acre master-planned community entitled for 3,000 residences and a 50-acre commercial/retail center. It is under development approximately 14 miles east of downtown Austin and also features a four-acre water park and recreation center and over 500 acres of open space and parks.
- Scenic Greens in Dripping Springs, Texas is a 700-acre residential development entitled for up to 912 lots, leaving approximately 470 acres of open space for trails and parks. The lot sizes vary between 50 and 70 foot widths. Scenic Greens is located within the “Hill Country” west of Austin, approximately 3.6 miles west of the intersection of Ranch Road 12 and Highway 290 near McGregor Lane.
- Golden City in Murrieta, California consists of 248 acres and is entitled for up to 495 single-family residential lots, 42 acres of Business Park, a 5.3 acre fire station, plentiful open space, and an 11.6 acre public park. The residential lots are nearly 75 percent complete. In May 2007 the Physicians Hospital of Murrieta purchased 30 acres (from the 42 acres) to construct the Loma Linda University Medical Center, which opened in 2011.

With respect to the property in the District, Argent Management has performed and is performing the master developer work, including the re-entitlement, accounting, project and construction management, and sales and marketing of the property to homebuilders.

The Developments

KB Home. KB Home developed the Cherry Blossom at The Fairways neighborhood, which includes 94 single-family homes. As of January 1, 2019, all of the parcels initially owned by KB Home have been conveyed to individual homeowners.

D.R. Horton. D.R. Horton is developing two neighborhoods within the District: Viridian Pointe at The Fairways and Windsor at The Fairways. At buildout, the Viridian Pointe neighborhood will contain 66 single-family homes and the Windsor neighborhood will contain 64 single-family homes. As of January 1, 2019, 121 of the 130 single-family homes being developed by D.R. Horton in the District had been completed, with 9 homes remaining under construction, the last of which D.R. Horton estimates will be completed by March 14, 2019. Of the 130 single-family homes, 118 homes had closed escrow to individual homeowners and 9 homes were in escrow to be sold to individual homeowners, all as of January 1, 2019. However, homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

Woodside. Woodside is developing the Oak Ridge at The Fairways neighborhood within the District. The Oak Ridge neighborhood of the District is projected to contain 148 single-family homes at buildout, with construction expected to be completed in October of 2019. As of January 1, 2019, Woodside owned 59 parcels within the District, of which nine contained completed homes (including one model), 17 contained homes under construction and 33 were in finished lot condition without any home construction thereon. Of the 59 parcels owned by Woodside, as of January 1, 2019, 16 were in escrow to be sold to individual homeowners.

However, homes in escrow may not result in closed escrows as sales contracts are subject to cancellation. See the captions “—The Merchant Builders—*Woodside Development Plan*” and “—*Woodside Financing Plan*” for more information regarding Woodside’s development of a portion of the District.

The Merchant Builders

D.R. Horton. As previously defined in this Official Statement, “D.R. Horton” refers to Western Pacific Housing, Inc., a Delaware corporation, which is a subsidiary of D.R. Horton, Inc., a Delaware corporation (“D.R. Horton, Inc.”), a public company whose common stock is traded on the New York Stock Exchange under the symbol “DHI.” Founded in 1978 and headquartered in Fort Worth, Texas, D.R. Horton constructs and sells homes in 27 states and 81 metropolitan markets of the United States under the names of D.R. Horton, *America’s Builder*, Express Homes, Emerald Homes, Freedom Homes, and Pacific Ridge.

D.R. Horton, Inc is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information, including financial statements, with the SEC. Such filings, particularly, D.R. Horton, Inc’s Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed by D.R. Horton, Inc. with the SEC on November 16, 2018 set forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc and its subsidiaries, including Western Pacific Housing, Inc., as of such dates.

On October 5, 2017, D.R. Horton, Inc. announced the acquisition of approximately 75% of the then outstanding shares of Forestar Group, Inc. (NYSE: FOR) (“Forestar”). The transaction establishes a strategic relationship between Forestar and D.R. Horton, Inc. for the supply of developed lots, as an extension of D.R. Horton, Inc.’s strategy of increasing its optioned land and lot position to enhance operational efficiency and returns.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including D.R. Horton, Inc. The address of such Internet web site is www.sec.gov. In addition, the aforementioned material may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. All documents subsequently filed by D.R. Horton, Inc. pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Woodside. As previously defined in this Official Statement, “Woodside” refers to Woodside 05S, LP, a California limited partnership, which is wholly owned by Woodside Group, LLC, a Nevada limited liability company (“Woodside Group”), directly or through its wholly owned subsidiaries. Woodside is owned 99% directly by Woodside Group, as a limited partner. The remaining 1% interest is owned by WDS GP, Inc., a California corporation, as its general partner, which is wholly owned by Woodside Homes of California, Inc., a California corporation, which in turn is wholly owned by Woodside Group. The parent of Woodside Group is Woodside Homes Company, LLC, a Delaware limited liability company.

Woodside Group’s subsidiaries engage in the design, construction, and sale of single family homes under the brand name of “Woodside Homes.” Woodside Homes is one of America’s top 30 homebuilders having built more than 40,000 homes across the United States, with current operations in Arizona, California, Nevada and Utah.

Woodside Homes Company, LLC, through its subsidiaries, currently has six operating divisions. In California, there are three of such operating divisions: (1) Inland Empire/Riverside County, (2) Fresno (Central Valley) and (3) Sacramento. Woodside’s development within the District is being managed by the Inland Empire/Riverside County division.

On February 28, 2017, Sekisui House, Ltd. (“Sekisui House”), acquired all of the membership interests in Woodside Homes Company, LLC pursuant to a Merger Agreement, dated February 27, 2017, by and between Sekisui House and Woodside Homes Company, LLC (the “Merger Agreement”). Pursuant to the Merger Agreement, SH Residential Holdings, LLC, a subsidiary of Sekisui House US Holdings, LLC, which is a wholly-owned subsidiary of Sekisui House, completed the merger of Crayon Special Vehicle-I, LLC, a wholly-owned subsidiary of SH Residential Holdings, LLC and Woodside Homes Company, LLC (the “Merger”), with Woodside Homes Company, LLC being the surviving entity. Immediately following the Merger, Woodside Homes Company, LLC became a wholly-owned subsidiary of SH Residential Holdings, LLC. In addition, North America Sekisui House, LLC, a wholly-owned subsidiary of Sekisui House, became a wholly-owned subsidiary of Sekisui House US Holdings LLC.

Sekisui House is a Japanese public company based in Osaka, whose stock is listed on the Tokyo and Nagoya Stock Exchanges. Woodside Homes Company, LLC does not currently receive significant capital contributions or cash from Sekisui House; however, there is no assurance that Woodside Homes Company, LLC will not receive capital contributions or cash from Sekisui House in the future. See “— Woodside Financing Plan” for a description of Woodside’s current financing plan with respect to its development within the District.

Woodside Development Plan. Woodside is developing the Oak Ridge at The Fairways neighborhood within the District. The Oak Ridge neighborhood of the District is projected to contain 148 single-family homes at buildout, with construction expected to be completed in October of 2019. The table below summarizes the product mix and development status of Woodside’s Oak Ridge neighborhood as of January 1, 2019.

**TABLE 7
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (FAIRWAY CANYON)
WOODSIDE
OAK RIDGE
(AS OF JANUARY 1, 2019)**

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of January 1, 2019</i>	<i>Completed Homes/Homes Under Construction⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow⁽²⁾</i>	<i>Base Home Prices⁽³⁾</i>
1	22	2,276	11	3	7	1	\$377,990
2	37	2,620	21	6	10	5	397,990
3	24	2,888	18	4	2	4	396,990
4	36	3,120	21	9	7	3	425,990
5	<u>29</u>	3,669	<u>18</u>	<u>4</u>	<u>7</u>	<u>3</u>	452,990
Total	148		89	26	33⁽⁴⁾	16	

⁽¹⁾ Includes nine completed homes (including one model) and 17 homes under construction.

⁽²⁾ Homes in escrow may not result in closed escrows as sales contracts are subject to cancellation.

⁽³⁾ Base sales prices are as of January 1, 2019 and subject to change. Base sales prices exclude Woodside’s estimate of lot premiums, the sale of options and extras and any incentives or price reductions.

⁽⁴⁾ As of March 1, 2019, building permits had been pulled for an additional 6 lots.

Source: Woodside.

Woodside Financing Plan. As of January 1, 2019, Woodside had spent approximately \$11,082,311 on land acquisition, and home design and construction costs on its project within the District (exclusive of internal financing repayment sales and marketing costs and expenses, corporate overhead allocation, and other carrying costs). Woodside expects to spend approximately \$6,393,201 in additional site development, permit

and impact fees and direct and indirect constructions costs between January 1, 2019 and full build-out of the homes proposed to be constructed (exclusive of internal financing repayment sales and marketing costs and expenses, corporate overhead allocation, and other carrying costs), which is expected to occur by October 2019.

To date, Woodside has financed its development activities within the District with internal funding, including cash generated from its homebuilding operations and advances from affiliates of its ultimate parent, Woodside Homes Company, LLC. Woodside Homes Company, LLC has a \$330 million unsecured term loan. Woodside Homes Company, LLC also has an unsecured revolving credit facility with borrowing capacity as of December 1, 2018 of \$200 million, subject to a borrowing base. Woodside intends to use the above-described sources of funds to finance the remaining development costs, home construction costs and carrying costs for its development within the District (including property taxes, special assessments and/or special taxes) until Woodside has sold all of its planned single-family detached homes within the District.

Notwithstanding Woodside's belief that it will have sufficient funds to complete its planned development in the District, no assurance can be given that sources of financing available to Woodside will be sufficient to complete the property development and home construction as currently anticipated. While affiliates of Woodside have made such internal financing available in the past, there can be no assurance whatsoever of their willingness or ability to do so in the future. Neither Woodside nor any of its affiliates have any legal obligation of any kind to make any such funds available or to obtain loans. If and to the extent that internal financing and sales revenues are inadequate to pay the costs to complete Woodside's planned development within the District and other financing by Woodside or its affiliates is not put into place, there could be a shortfall in the funds required to complete the proposed development by Woodside and portions of the project may not be developed.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks and is not an appropriate investment for all 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. See “—Property Values” and “—Limited Secondary Market.”

Concentration of Ownership

Based on ownership status as of January 1, 2019 and development status as of March 1, 2019, approximately 13.44% of the Special Taxes projected to be levied in Fiscal Year 2019-20 will be payable by the merchant builders. In particular, D.R. Horton and Woodside are projected to be responsible for 3.80% and 9.64%, respectively, of the Fiscal Year 2019-20 Special Tax Levy. Failure of the merchant builders, entities affiliated with the merchant builders or any successor(s), to pay the annual Special Taxes when due could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the merchant builders or any of their successors, will complete the remaining intended construction and development in the District. See “—Failure to Develop Properties.”

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 or buildings 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; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that any future homeowners within the District 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 City’s ability to pursue judicial proceedings with respect to delinquent parcels.

Tax Cuts and Jobs Act

H.R. 1 of the 115th U.S. Congress, 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, neither the City nor the District can 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.

Limited Obligations

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

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 OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Rate and Method of Apportionment of Special Tax.*”

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. The District will establish and fund upon the issuance of the Bonds a Reserve Account of the Special Tax 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 Account of the Special Tax Fund.” The District will covenant to maintain in the Reserve Account of the Special Tax 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 and the Act. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Account of the Special Tax 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 Account of the Special Tax Fund could be depleted and a default on the Bonds could occur. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Limitation on Special Tax Levy and Potential Impact on Coverage.*”

The District will covenant in the Indenture 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—Special Taxes—*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 Account of the Special Tax Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by 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 Account of the Special Tax 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 Indenture, 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 provides that no Special Tax shall be levied on property that is not located in the District. No Special Tax shall be levied on Exempt Property. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” 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 Rate and Method governing the levy of the Special Tax provides that, once a parcel is classified as Taxable Property, it will remain subject to a Special Tax levy even if it is subsequently acquired by a public agency. 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.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, and property within the District. In addition, land susceptible to

seismic activity may be subject to liquefaction during the occurrence of such event. The property within the District is not located in an Alquist Priolo Earthquake Study Zone though it is located less than 10 miles from the San Andreas Fault. The District is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Additionally, wildfires increase the risk of mudslides in areas like the District that are surrounded by hillsides. In general, property damage due to wildfire or mudslides could result in a significant decrease in the market value of property in the District and in the ability or willingness of property owners to pay Special Taxes.

Western Riverside County, in which the District is located, has previously experienced large scale wildfires that resulted in the destruction of homes and businesses. According to the City's Municipal Code, which incorporates portions of the County's Ordinance 787 and the California Fire Code by reference, the District is not located in a Very High Fire Hazard Severity Zone. More information regarding Fire Hazard Severity Zones, including the most recent Fire Hazard Severity Zone Maps, can be found at the California Department of Forestry and Fire Protection website at <http://frap.fire.ca.gov/index>, though such website is not incorporated herein by reference. Homeowner's insurance is available to property owners within the District, and the coverage provided by such insurance typically insures against fire damage, although there is no assurance that homeowners within the District will purchase or maintain such insurance.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the 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 such substance. 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.

Property Values

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 or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE COMMUNITY FACILITIES DISTRICT—Value-to-Lien Ratios."

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal Report that as of January 1, 2019, the value (assessed and appraised) of the Taxable Parcels within the District was not less than \$117,498,300, though such conclusion was based on construction status as of December 23, 2018. The Appraisal Report is based on a number of assumptions and limiting conditions as stated in APPENDIX H—"APPRAISAL REPORT." The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements 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 of the appraised parcels in the Appraisal, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time, and assuming that neither the buyer or seller is under duress, which is not always present in a foreclosure sale. See APPENDIX H—"APPRAISAL REPORT AND SUPPLEMENT" 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 within the District from that estimated by the Appraiser.

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

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 APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—COVENANTS AND WARRANTY—Covenants—*Commence Foreclosure Proceedings.*”

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 City has 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 “—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 District has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County of Riverside 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 special tax under the Act 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 of Riverside 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 APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE—COVENANTS AND WARRANTY—Covenants—*Commence Foreclosure Proceedings*” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, 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 assessment and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

The District does not participate in the County’s Teeter Plan. Accordingly, the collection of Special Taxes is subject to delinquencies. See “THE COMMUNITY FACILITIES DISTRICT—Delinquency History” for a discussion on delinquent Special Taxes in the District.

FDIC/Federal Government Interests in Properties

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

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

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

Moreover, unless 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. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

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

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default,

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

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

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

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

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

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by

the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

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

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

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

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 Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, 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 BOND INDENTURE—EVENTS OF DEFAULT; REMEDIES” and “—Limitations on Remedies.”

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 Indenture 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 Indenture.

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 XIIC and Article XIID 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 XIIC states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act 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 XIIC 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 City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within the District. In connection with the foregoing covenant, the City Council has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District will also covenant that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

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 is comprised of all of the real property in 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 elections held in the District had less than 12 registered voters 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.

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.”

No Ratings – Limited Secondary Market

The District has not applied to have the Bonds rated by any nationally recognized bond rating company, and it does not expect to do so in the future. See “—Limited Secondary Market.”

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 City, or local districts to increase revenues or to increase appropriations within the District.

Potential Early Redemption of Bonds from Prepayments or Other Sources

Property owners within the District, including DR Horton and Woodside, and any individual property owner, are permitted to prepay their Special Taxes at any time. Such Prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such Prepayments will result in an extraordinary redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the Prepayment. The resulting extraordinary redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS—Redemption—Extraordinary Redemption from Special Tax Prepayments."

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 Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of 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

Pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) website, or other repository authorized under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "Rule"), certain annual financial information and operating data concerning the District. The District Reports are to be filed not later than February 10 of each year, beginning February 10, 2020. The District Reports will include the audited financial statements of the City, if any are prepared. The District does not currently prepare audited financial statements and does not anticipate doing so in the future. The full text of the Continuing Disclosure Certificate is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Notwithstanding any provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be an event of default under the Indenture. However, any Owner or Beneficial Owner of the Bonds may take such action as is necessary and appropriate, including seeking mandate or a

judgment for specific performance, to cause the District to comply with its obligations with respect to the Continuing Disclosure Certificate.

In connection with the SEC Order, the BFA conducted a review of noncompliance with all existing continuing disclosure undertakings of the City of Beaumont Community Facilities District No. 93-1 (“CFD No. 93-1”) with respect to bonds issued by the BFA. See the caption “INTRODUCTION—SEC Order.” The BFA identified omissions and deficiencies in prior continuing disclosure filings for Fiscal Years 2003 through 2017. Such omissions and deficiencies included the late filing of annual reports, the late filing of or failure to file the City’s audited financial statements, the failure to file completed information on the status of facilities being constructed with bond proceeds, and information concerning the certificates of occupancy and certificates of final inspection. Such omissions and deficiencies also included the failure to report certain information concerning the assessed valuation date, special tax delinquency data and reserve fund balances, cash flow management fund balances, rate stabilization fund balances, improvement fund balances, residual fund balances, special escrow fund balances, the aggregate number of building permits issued, statements of the reserve requirement, cash flow management fund requirement and rate stabilization fund requirement, and to link certain annual reports to all relevant CUSIPs. See Appendix G – “SECURITIES AND EXCHANGE COMMISSION ORDER.”

The BFA has caused CFD No. 93-1 to make corrective filings for Fiscal Years 2014 through 2018 with EMMA, including the filing of audited and unaudited financial statements for Fiscal Years 2014 through 2018, supplements to certain prior continuing disclosure annual reports and notices of the failure to file certain continuing disclosure annual reports and audited financial statements.

The City will assist the District in preparing the District Reports. In order to ensure ongoing compliance by the District with its continuing disclosure undertaking, (i) City staff will take steps to ensure that the filing due date is correctly documented in policies and procedures and a single City staff member has been assigned primary responsibility to monitor compliance; and (ii) the City has contracted with a consultant to assist in filing accurate, complete and timely disclosure reports on behalf of the District.

STATE AND FEDERAL INVESTIGATIONS AND CRIMINAL CHARGES INVOLVING FORMER CITY OFFICIALS

On April 22, 2015, the Federal Bureau of Investigation and the Riverside County District Attorney’s Office served search warrants on Beaumont City Hall and two other locations. The search warrants and the subsequent investigation resulted in charges for corruption and embezzlement being brought against seven (7) former City officials: former City Manager Alan Kapanicas, former Economic Development Director David Dillon, former City Planner Ernest Egger, former Finance Director William Aylward, former Police Chief Francis Dennis Coe Jr., former Public Works Director Deepak Moorjani and former City Attorney Joseph Sandy Aklufi. All seven (7) of these former City officials have pled guilty to date with several of them having agreed to pay restitution in connection with their plea arrangements. All of the former officials either resigned or were terminated by 2015.

In addition to the SEC Order described under the caption “INTRODUCTION- SEC Order” and attached as Appendix G, in August 2017, the SEC entered into settlements with former City Manager Alan Kapanicas, the BFA’s former underwriter, O’Connor & Company Securities, Inc., and former investment banker Anthony Wetherbee in connection with the BFA’s failure to meet its annual continuing disclosure obligations from 2003 to 2013. In consenting to the SEC settlement without admitting or denying the findings, Mr. Kapanicas agreed to be barred from participating in any future municipal offerings and pay a penalty of \$37,500. Additionally, in consenting to the SEC settlement without admitting or denying the findings, O’Connor & Company Securities, Inc., agreed to comply with a number of undertakings and pay a \$150,000 penalty, and Mr. Wetherbee agreed to serve a suspension from the securities industry for six (6) months and pay a \$15,000 penalty.

On May 11, 2017, the Riverside County District Attorney on behalf of the Criminal Grand Jury of the County of Riverside filed an indictment against former Beaumont City Councilmember Mark Orozco accusing him of ten (10) felony counts, including attempting to solicit a bribe from Pardee Homes. On September 28, 2017, Mr. Orozco pleaded guilty to one (1) felony count of bribery and one (1) felony count of perjury. Mr. Orozco resigned from the City Council on October 24, 2017, and agreed not to seek another public office.

STATE CONTROLLER INVESTIGATION

In May 2015, the State Controller began an investigation into the City's internal accounting controls. In November 2015, the State Controller published its report that included a determination that 75 of the 79 internal control elements evaluated were found to be inadequate. In response, the City immediately took action to address the concerns of the State Controller, and the City has revised its internal control practices to align with the State Controller's recommendations. As a result of the issuance of the audit for Fiscal Year 2016-17, the City believes it is now in compliance with all 79 internal control elements.

GRAND JURY REQUEST FOR DOCUMENTS

On November 1, 2018, the City received a request for documents from the Riverside County Civil Grand Jury (the "Grand Jury Request") seeking, among other things, materials and information concerning the City's community facilities districts, including related contracts and expenditures, the planned use of proceeds from litigation against former city employees, and the findings from the investigation by the SEC. A copy of the Grand Jury Request is attached hereto as Appendix I. The City is fully cooperating with the Grand Jury Request, and believes some of the issues relate to matters which were the subject of the investigations by the Riverside County District Attorney's office. See "STATE AND FEDERAL INVESTIGATIONS AND CRIMINAL CHARGES INVOLVING FORMER CITY OFFICIALS." The City believes that the Grand Jury Request does not impact the validity of the Bonds or the ability of the District to levy the Special Taxes and pay debt service on the Bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District, the City and others and is subject to the condition that the District, the City and others making such representations comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will

not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the City will covenant to comply with all such requirements.

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

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

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

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

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District and the City continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before

purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

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

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

LEGAL MATTERS

The legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, approving the validity of the Bonds in substantially the form set forth as Appendix B hereto, will be made available to purchasers at the time of original delivery. Certain legal matters will be passed upon for the District and the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel and for the Underwriter by Kutak Rock LLP, Irvine, California, as counsel to the Underwriter. Bond Counsel expresses 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 disclaims any duty to do so.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds and a certificate of the District to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the District to levy and collect the Special Taxes or to issue and retire the Bonds.

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 the Underwriter. The Underwriter has agreed to purchase the Bonds at a price of \$9,356,966.45, being \$9,045,000.00 aggregate principal amount thereof, plus net original issue premium of \$447,641.45 and less Underwriter's discount of \$135,675.00). The purchase contract relating to the Bonds 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 contract, 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, Municipal Advisor to the City, the Special Tax Consultant, the Trustee and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

PENDING LEGISLATION

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The execution and delivery of this Official Statement by the City Manager of the City has been duly authorized by the City Council acting in its capacity as the legislative body of the District.

CITY OF BEAUMONT COMMUNITY FACILITIES
DISTRICT NO. 2016-1

By: _____ /s/ Todd Parton
City Manager

APPENDIX A

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2016-1 (FAIRWAY CANYON) OF THE CITY OF BEAUMONT

A Special tax as hereinafter defined shall be levied on and collected in Community Facilities District No. 2016-1 (Fairway Canyon) ("CFD No. 2016-1") each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the appropriate Special Tax for "Developed Property", "Final Map Property" and "Undeveloped Property". All of the real property in CFD No. 2016-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or **"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map or instrument. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"Act" means the Mello-Roos Communities 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 any ordinary and necessary expense of the City to carry out the administration of CFD No. 2016-1 related to the determination of the amount of levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any City employee whose duties are directly related to the administration of CFD No. 2016-1, and any costs otherwise incurred by the CFD Administrator (whether by the City or designee thereof or both) in order to carry out the authorized purpose of CFD No. 2016-1.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 2016-1.

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

"Assigned Special Tax" means the Special Tax of that name described in Section D below.

"Backup Special Tax for Facilities" means the Special Tax of that name described in Section E below.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes for Facilities have been pledged.

"Building Permit" means a permit for new construction for a residential dwelling or non-residential structure. For purpose of this definition, "Building Permit" shall not include permits for construction or installation, retaining walls, utility improvements, or other such improvements not intended for human habitation.

"Building Square Footage" or **"BSF"** means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel, as determined by the CFD Administrator.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities, the Special Tax Requirement for Services, and providing for the levy and collection of the Special Taxes.

"CFD Boundary Map" means the map recorded at CFD formation, and attached hereto as Exhibit A.

"CFD No. 2016-1" means Community Facilities District No. 2016-1 (Fairway Canyon) established by the City under the Act.

"City" means the City of Beaumont.

"City Council" means the City Council of the City, acting as the legislative body of CFD No. 2016-1, or its designee.

"Consumer Price Index" means the index published monthly by the U.S. Department of Labor, Bureau of Labor Statistics for all urban consumers in the Los Angeles-Riverside-Orange County area.

"County" means the County of Riverside.

"Developed Property" means all Assessor's Parcels for which Building Permits were issued on or before March 1 of the prior Fiscal Year, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year and that each such Assessor Parcel is associated with a Lot, as determined by the CFD Administrator.

"Dwelling Unit" means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes as provided for in Section J, as determined by the CFD Administrator.

"Final Map" means a subdivision of property evidenced by the recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or the 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.

"Final Map Property" means Assessor's Parcels: (i) that are included in a Final Map that was recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit was not issued prior to March 1 preceding the Fiscal Year in which the Special Tax is being levied, as determined by the CFD Administrator.

"Fiscal Year" means the period commencing on July 1 of any year and ending the following June 30.

"Land Use Category" means any of the categories listed in the tables included in Section D.

"Lot" means an individual legal lot created by a Final Map for which a Building Permit could be issued.

"Maximum Special Tax" means the Maximum Special Tax for Facilities and Maximum Special Tax for Services.

"Maximum Special Tax for Facilities" means the maximum Special Tax, determined in accordance with Section C, which can be levied by CFD No. 2016-1 in any Fiscal Year on any Assessor's Parcel.

"Maximum Special Tax for Services" means the maximum Special Tax, determined in accordance with Section C, which can be levied by CFD No. 2016-1 in any Fiscal Year on any Assessor's Parcel.

"Minimum Acreage" means the smallest allowable amount of taxable acreage. For CFD No. 2016-1, it shall not be less than 63.04 acres. The acreage per Zone is as follows: (i) Zone 1 - 18.41 acres, (ii) Zone 2 - 33.04 acres, and (iii) Zone 3 - 11.59 acres.

"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, as determined by the CFD Administrator.

"Operating Fund" means a fund that shall be maintained for CFD No. 2016-1 for any Fiscal Year to pay for the actual costs of providing the Services and the Administrative Expenses attributable to providing such Services.

"Operating Fund Balance" means the amount of funds in the Operating Fund at the end of the preceding Fiscal Year.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Special Tax for Facilities obligation for an Assessor's Parcel, as described in Section H.

"Prepayment Amount" means the amount required to prepay the Special Tax for Facilities obligation in full for an Assessor's Parcel, as described in Section G.

"Proportionately" means that the ratio of the actual Special Tax for Facilities levy to the applicable Special Tax for Facilities is equal for all applicable Assessors' Parcels.

"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, as determined by the CFD Administrator.

"Services" means the services permitted under the Act including, without limitation, police and fire protection, ambulance and paramedic services, street sweeping, traffic signal maintenance and the maintenance of publicly owned parks, parkways and open spaces, lighting, flood and storm protection services, and the operation of storm drainage systems, collectively the services contained within the boundaries of CFD No. 2016-1 and the City.

"Special Tax" means Special Tax for Facilities and Special Tax for Services.

"Special Tax for Facilities" means any of the special taxes authorized to be levied within CFD No. 2016-1 pursuant to the Act to fund the Special Tax Requirement for Facilities.

"Special Tax for Services" means any of the special taxes authorized to be levied by CFD No. 2016-1 pursuant to the Act to fund the Special Tax Requirement for Services. Under no circumstances shall this Special Tax be eligible for prepayment of any kind.

"Special Tax Requirement for Facilities" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD No. 2016-1 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax for Facilities on Final Map Property or Undeveloped Property, less (vi) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond Indenture, fiscal agent agreement, or trust agreement.

"Special Tax Requirement for Services" means the amount determined in any Fiscal Year equal to (i) the budgeted costs of providing the Services during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate for the previous Fiscal Year, less (iv) the Operating Fund Balance.

"Taxable Property" means all Assessor's Parcels within CFD No. 2016-1, which are not Exempt Property, as determined by the CFD Administrator.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property or Final Map Property, as determined by the CFD Administrator.

"Zone(s)" means Zone 1, 2 or 3 as geographically identified on the CFD Boundary Map, attached as Exhibit A.

"Zone 1" means the specific geographic area as depicted in Exhibit B attached herein containing Assessor's Parcels located along the golf course frontage.

"Zone 2" means the specific geographic area as depicted in Exhibit B attached herein.

"Zone 3" means the specific geographic area as depicted in Exhibit B attached herein.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2016-17, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property, Final Map Property or Undeveloped Property. Lastly, each Assessor's Parcel of Developed Property shall further be classified as Residential Property or Non-Residential Property.

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel of Residential Property that is classified as Developed Property in any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Special Tax for Facilities in the tables included in Section D below or (ii) the application of the Backup Special Tax for Facilities. The Maximum Special Tax for Facilities for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property in any Fiscal Year shall be the Assigned Annual Special Tax in the tables included in Section D below.
- b. The Maximum Special Tax for Services for each Assessor's Parcel of Residential Property that is classified as Developed Property in Fiscal Year 2016-17 shall be \$314 per unit. The Maximum Special Tax for Services for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property in Fiscal Year 2016-17 shall be \$2,010 per Acre. The Maximum Special Tax for Services for each Assessor's Parcel of Residential Property that is classified as Final Map Property in Fiscal Year 2016-17 shall be \$2,010 per Acre.

On each July 1, commencing July 1, 2017, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

2. Final Map Property

The Maximum Special Tax for Facilities for each Assessor’s Parcel classified as Final Map Property shall be the Assigned Special Tax.

3. Undeveloped Property

The Maximum Special Tax for Facilities for each Assessor’s Parcel classified as Undeveloped Property shall be the Assigned Special Tax.

**SECTION D
ASSIGNED SPECIAL TAX FOR FACILITIES**

1. Developed Property

Each Fiscal Year, beginning with Fiscal Year 2016-17, each Assessor’s Parcel of Developed Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor’s Parcel of Developed Property for any Fiscal Year shall be determined pursuant to Table 1, Table 2, and Table 3 below.

**TABLE 1
ASSIGNED SPECIAL TAX RATES FOR FACILITIES
FOR DEVELOPED PROPERTY WITHIN ZONE 1**

Land Use Type	Building Square Footage	Assigned Special Tax
Residential Property	Less than 2,300	\$1,830 per Dwelling Unit
Residential Property	2,300 – 2,799	\$1,863 per Dwelling Unit
Residential Property	2,800 – 3,499	\$1,999 per Dwelling Unit
Residential Property	Greater than 3,499	\$2,150 per Dwelling Unit
Non-Residential Property	N/A	\$11,869 per Acre

**TABLE 2
ASSIGNED SPECIAL FOR FACILITIES TAX RATES
FOR DEVELOPED PROPERTY WITHIN ZONE 2**

Land Use Type	Building Square Footage	Assigned Special Tax
Residential Property	Less than 2,300	\$1,440 per Dwelling Unit
Residential Property	2,300 – 2,799	\$1,600 per Dwelling Unit
Residential Property	2,800 – 3,499	\$1,865 per Dwelling Unit
Residential Property	Greater than 3,499	\$2,019 per Dwelling Unit
Non-Residential Property	N/A	\$9,607 per Acre

**TABLE 3
ASSIGNED SPECIAL FOR FACILITIES TAX RATES
FOR DEVELOPED PROPERTY WITHIN ZONE 3**

Land Use Type	Building Square Footage	Assigned Special Tax
Residential Property	Less than 2,300	\$1,440 per Dwelling Unit
Residential Property	2,300 – 2,799	\$1,600 per Dwelling Unit
Residential Property	2,800 – 3,499	\$1,865 per Dwelling Unit
Residential Property	Greater than 3,499	\$2,019 per Dwelling Unit
Non-Residential Property	N/A	\$12,546 per Acre

2. Final Map Property and Undeveloped Property

Each Fiscal Year, beginning with Fiscal Year 2016-17, each Assessor’s Parcel of Final Map Property and Undeveloped Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Final Map Property and Undeveloped Property for any Fiscal Year shall be determined pursuant to the rate per Acre summarized by Zone below.

1. Zone 1 rate per Acre - \$11,869
2. Zone 2 rate per Acre - \$9,607
3. Zone 3 rate per Acre - \$12,546

**SECTION E
BACKUP ANNUAL SPECIAL TAX FOR FACILITIES**

Each Fiscal Year, beginning with Fiscal Year 2016-17, each Assessor’s Parcel of Developed Property classified as Residential Property shall be subject to a Backup Special Tax for Facilities. In each Fiscal Year, the Backup Special Tax for Facilities rate for Developed Property classified as Residential Property within each Zone shall be the rate per Lot calculated according to the following formula:

$$B = \frac{R \times A}{L}$$

- The terms above have the following meanings:
- B = Backup Special Tax for Facilities per Lot in each Fiscal Year.
 - R = Maximum Special Tax for Facilities rate per Acre for Undeveloped Property
In each Zone for the applicable Fiscal Year.
 - A = Acreage of Developed Property classified or to be classified as Residential
Property in such Zone.
 - L = Lots in each Zone which are classified or to be classified as Residential
Property.

Notwithstanding the foregoing, if Assessor’s Parcels of Developed Property which are classified or to be classified as Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax for Facilities for the area that has been changed or modified shall be a rate per square foot of Acreage for each Zone calculated as follows:

1. Determine the total Backup Special Tax for Facilities 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 Acreage of Developed Property classified or to be classified as Residential Property which is ultimately expected to exist in such changed or modified Final Map area, as reasonably determined by the CFD Administrator.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax for Facilities 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 for Facilities may be levied.

SECTION F
METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR FACILITIES

1. Commencing Fiscal Year 2016-17 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Facilities on all Taxable Property until the amount of Special Tax for Facilities equals the Special Tax Requirement for Facilities in accordance with the following steps:
 - Step One: The Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax for Facilities rates in the tables included in Section D as needed to satisfy the Special Tax Requirement for Facilities.
 - Step Two: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Final Map Property, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.
 - Step Three: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, the Annual Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, excluding any Undeveloped Property pursuant to Section J, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.
 - Step Four: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then for each Assessor's Parcel of Developed Property whose Maximum Special Tax for Facilities is the Backup Special Tax for Facilities shall be increased Proportionately from the Assigned Special Tax for Facilities up to 100% of the Backup Special Tax for Facilities as needed to satisfy the Special Tax Requirement for Facilities.
 - Step Five: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property classified as Undeveloped Property pursuant to Section J at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.
2. Commencing Fiscal Year 2016-17 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Services on all Taxable Property until the amount of Special Tax for Services equals the Special Tax Requirement for Services in accordance with the following steps:

Step One: The Special Tax for Services shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax for Services as needed to satisfy the Special Tax Requirement for Services.

Step Two: If additional moneys are needed to satisfy the Special Tax Requirement for Services after the first step has been completed, the Special Tax for Services shall be levied Proportionately on each Assessor's Parcel of Final Map Property, at up to 100% of the Maximum Special Tax for Services applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Services.

SECTION G PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The following additional definitions apply to this Section G:

“CFD Public Facilities” means \$10,000,000 expressed in 2016 dollars, which shall increase by the Construction Inflation Index on January 1, 2017, and on each January 1 thereafter, or such lower amount (i) shall be determined by the City as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2016-1, or (ii) determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment.

“Construction Fund” means an account specifically identified in the Indenture or functionally equivalent to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under CFD No. 2016-1.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the city of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the City that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

“Outstanding Bonds” means all previously issued Bonds issued and secured by the levy of Special Taxes for Facilities 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 Special Taxes for Facilities.

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Final Map Property or Undeveloped Property for which a building permit has been issued or an Assessor's Parcel of Undeveloped Property that is classified as Undeveloped Property pursuant to Section J may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax for Facilities obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the City with written notice of intent to prepay, and within 5 days of receipt of such notice, the City shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by

CFD No. 2016-1 in calculating the proper amount of a prepayment. Within 15 days of receipt of such non-refundable deposit, the City shall notify such owner of the prepayment amount of such Assessor's Parcel.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax for Facilities and the Backup Special Tax for Facilities applicable to the Assessor's Parcel. For Assessor's Parcels of Final Map Property or Undeveloped Property, excluding any Undeveloped Property pursuant to Section J, compute the Assigned Special Tax for Facilities and the Backup Special Tax for Facilities as though it was already designated as Developed Property based upon the building permit issued or to be issued for that Assessor's Parcel. For an Assessor's Parcel classified as Undeveloped Property pursuant to Section J, compute the Assigned Special Tax for Facilities for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property, Final Map Property or Undeveloped Property to be prepaid, (a) divide the Assigned Special Tax for Facilities computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the CFD Administrator, and (b) divide the Backup Special Tax for Facilities computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the CFD Administrator.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds. The product shall be the "Bond Redemption Amount".
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the Future Facilities Cost.
6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to determine the Future Facilities Cost to be prepaid (the "Future Facilities Amount").
7. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 11) to be redeemed with the proceeds of the Prepayment Amount until the earliest redemption date for the Outstanding Bonds.

8. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the Outstanding Bonds.
9. Subtract the amount computed pursuant to paragraph 8 from the amount computed pursuant to paragraph 7. This difference is the "Defeasance."
10. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
11. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to a Special Tax for Facilities obligation that is prepaid pursuant to this Section G, the City Council shall indicate in the records of CFD No. 2016-1 that there has been a prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax for Facilities obligation and the release of the Special Tax for Facilities lien on such Assessor's Parcel and the obligation of such Assessor's Parcel to pay such Special Taxes for Facilities shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax for Facilities that may be levied on Taxable Property in each future Fiscal Year, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued and will be classified as Developed Property in the next Fiscal Year, as calculated in this Section H below, may be partially prepaid, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax for Facilities obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

- PP = the Partial Prepayment Amount.
- P_G = the Prepayment Amount calculated according to Section G.
- F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax for Facilities obligation.

With respect to any Assessor's Parcel that is partially prepaid, the City Council shall indicate in the record of CFD No. 2016-1 that there has been a partial prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax for Facilities obligation, to indicate the partial prepayment of the Special Tax for Facilities obligation and the partial release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax for Facilities shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax for Facilities that may be levied on Taxable Property in each future Fiscal Year after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION I TERMINATION OF SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding the Special Tax for Facilities shall be levied on all Assessor's Parcels subject to the Special Tax for Facilities. If any delinquent Special Tax for Facilities remain uncollected prior to or after all Bonds are retired, the Special Tax for Facilities may be levied to the extent necessary to reimburse CFD No. 2016-1 for uncollected Special Taxes for Facilities associated with the levy of such Special Taxes for Facilities, but no later than 2055-56 Fiscal Year. The Special Tax for Services shall be levied as long as it needed to meet the Special Tax Requirement for Services, as determined at the sole discretion of the City Council.

SECTION J EXEMPTIONS

The City shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, or (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, provided that no such classification would reduce the sum of all Taxable Property to less than the Minimum Acreage. Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Minimum Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Acreage will continue to be classified as Undeveloped Property, and will continue to be subject to Special Taxes accordingly.

**SECTION K
APPEALS**

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 City Council not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 2016-1 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 representative'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 Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

**SECTION L
MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2016-1 may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

**SECTION M
INTERPRETATIONS**

The City Council may interpret this Rate and Method of Apportionment of Special Tax by ordinance or resolution for purposes of clarifying any vagueness or ambiguity. Any decision of the City Council shall be final and binding as to all persons.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Bond Counsel will deliver an opinion for the Bonds substantially in the form set forth below:

March 12, 2019

City of Beaumont
Community Facilities District No. 2016-1 (Fairway Canyon)
Beaumont, California

*Re: \$9,045,000 City of Beaumont Community Facilities District No. 2016-1 (Fairway Canyon)
2019 Special Tax Bonds*

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Beaumont (the “City”) taken in connection with the authorization and issuance by the City of Beaumont Community Facilities District No. 2016-1 (Fairway Canyon) (the “District”) of its 2019 Special Tax Bonds in the aggregate principal amount of \$9,045,000 (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District, on February 19, 2019, and the Bond Indenture dated as of March 1, 2019 (the “Indenture”), by and between the District and Wilmington Trust, National Association, as trustee. All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

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

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

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

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

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

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues for the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

(6) The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinion expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is 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 to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (3), (4), (5) and (6) above, we express no opinion as to any tax consequences related to the Bonds.

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

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

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

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

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

Respectfully submitted,

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APPENDIX C

DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF RIVERSIDE AND THE CITY OF BEAUMONT

The Bonds are not obligations of the City of Beaumont (the “City”) or the County of Riverside (the “County”) and do not represent a lien or charge against any funds or property of the City or the County. The following information is provided only to give prospective investors an overview of the general economic condition of the City, the County and the State of California (the “State”).

General

The City was incorporated in 1912 under the General Laws of the State. The City is located approximately 78 miles east of Los Angeles and encompasses an area of 30.9 square miles. The City currently has an estimated population of approximately 48,237 persons.

Population

The following table offers population figures for the City, the County and the State for 2014 through 2018.

<i>Area</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
City of Beaumont	41,920	43,906	45,617	46,730	48,237
County of Riverside	2,291,262	2,317,895	2,346,717	2,382,640	2,415,955
State of California	38,568,628	38,912,464	39,179,627	39,500,973	39,809,693

Source: California State Department of Finance, Demographic Research Unit. March 2010 Benchmark.

Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the City and County from 2013 through 2017.

BUILDING PERMIT VALUATIONS City of Beaumont 2013-2017

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Valuation (\$000):					
Residential	\$81,053	\$73,329	\$78,326	\$85,627	\$121,802
Non-residential	<u>24,017</u>	<u>5,375</u>	<u>6,911</u>	<u>33,002</u>	<u>10,219</u>
Total*	\$105,070	\$79,204	\$85,237	\$118,629	\$132,021
Residential Units:					
Single family	496	435	452	443	715
Multiple family	<u>0</u>	<u>0</u>	<u>0</u>	<u>38</u>	<u>2</u>
Total	496	435	452	481	717

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

**BUILDING PERMIT VALUATIONS
County of Riverside
2013-2017**

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Valuation (\$000):					
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>1,346,019</u>	<u>1,433,691</u>
Total*	<u>\$2,249,570</u>	<u>\$2,436,741</u>	<u>\$2,448,207</u>	<u>\$3,105,554</u>	<u>\$3,337,108</u>
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

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

Employment

The following tables show the largest employers located in the County as of fiscal year 2017.

**LARGEST EMPLOYERS
County of Riverside
2017**

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	22,538	County Government
2.	University of California-Riverside	8,686	University
3.	March Air Reserve Base	8,500	Military Reserve Base
4.	Amazon	7,500	Distribution Center
5.	Kaiser Permanente Riverside Medical Center	5,739	Medical Center
6.	Corona-Norco Unified School District	5,399	School District
7.	Riverside Unified School District	4,236	School District
8.	Pechanga Resort and Casino	4,000	Casino & Resort
9.	Riverside University Health Systems-Medical Center	3,876	Medical Center
10.	Eisenhower Medical Center	3,665	Medical Center

Source: County of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2017.

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Employment and Industry

Employment data by industry is not separately reported on an annual basis for the City but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2013 through 2017.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2013	2014	2015	2016	2017
Civilian Labor Force	1,893,100	1,921,000	1,956,900	1,984,900	2,023,200
Civilian Employment	1,706,800	1,765,300	1,828,200	1,866,600	1,920,400
Civilian Unemployment	186,300	155,700	128,600	118,300	102,800
Civilian Unemployment Rate	9.8%	8.1%	6.6%	6.0%	5.1%
Total Farm	14,500	14,400	14,800	14,600	14,400
Total Nonfarm	1,233,300	1,289,300	1,353,100	1,401,900	1,451,600
Total Private	1,008,100	1,060,500	1,119,800	1,159,600	1,201,600
Goods Producing	158,600	170,200	183,000	191,500	196,600
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
Service Providing	1,074,700	1,119,100	1,170,100	1,210,500	1,255,000
Trade, Transportation and Utilities	299,700	314,900	333,200	348,100	366,000
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	78,400	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
Educational 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	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,367,900</u>	<u>1,416,600</u>	<u>1,466,000</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The “Total, All Industries” data is not directly comparable to the employment data found in this Appendix C.

Source: State of California, Employment Development Department, March 2017 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the period from 2013 through 2017 for the City, the County, the State and the nation as a whole.

**CITY OF BEAUMONT,
COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
2013				
Beaumont	18,500	17,400	1,100	5.9%
Riverside County	996,400	897,700	98,700	9.9
State of California	18,625,000	16,958,400	1,666,600	8.9
United States ⁽⁴⁾	155,389,000	143,929,000	11,460,000	7.4
2014				
Beaumont	10,400	18,100	900	4.9%
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
United States ⁽⁴⁾	155,922,000	146,305,000	9,617,000	6.2
2015				
Beaumont	19,500	18,800	800	3.9%
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
United States ⁽⁴⁾	157,130,000	148,834,000	8,296,000	5.3
2016				
Beaumont	19,900	19,200	700	3.6%
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
United States ⁽⁴⁾	159,187,000	151,436,000	7,751,000	4.9
2017				
Beaumont	18,600	18,000	600	3.0%
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
United States ⁽⁴⁾	160,320,000	153,337,000	6,982,000	4.4

⁽¹⁾ Includes persons involved in labor-management trade disputes.

⁽²⁾ Includes all persons without jobs who are actively seeking work.

⁽³⁾ The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

⁽⁴⁾ Not strictly comparable with data for prior years.

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

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in Riverside County increased by 52% between 2006 and 2017. The following tables summarize personal income for Riverside County for 2006 through 2017.

PERSONAL INCOME
Riverside County
2006-2017
(Dollars in Thousands)

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2006	\$62,418,784	N/A
2007	65,610,952	5.1%
2008	66,723,925	1.7
2009	65,369,622	(2.0)
2010	67,568,045	3.4
2011	71,949,357	6.5
2012	74,075,529	3.0
2013	76,493,787	3.3
2014	80,637,967	5.4
2015	86,092,487	6.8
2016	90,273,976	4.9
2017	95,140,992	5.4

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

The following table summarizes per capita personal income for Riverside County, California and the United States for 2006-2017. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
Riverside County, State of California and the United States
2006-2017

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2006	\$31,018	\$42,139	\$38,114
2007	31,617	43,669	39,844
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

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

Taxable Sales

The table below presents taxable sales for the years 2011 through the third quarter of 2017⁽¹⁾⁽²⁾ for the City.

TAXABLE SALES
City of Beaumont
2011-2017⁽¹⁾⁽²⁾
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2011	1,016	\$317,192
2012	1,101	334,876
2013	1,046	352,449
2014	1,064	370,748
2015 ⁽¹⁾	1,219	394,992
2016	1,264	414,905
2017 ⁽²⁾	1,232	312,756

⁽¹⁾ Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

⁽²⁾ Through third quarter of 2017.

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

The table below presents taxable sales for the years 2011 through the third quarter of 2017⁽¹⁾⁽²⁾ for the County.

TAXABLE SALES
County of Riverside
2011-2017⁽¹⁾⁽²⁾
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2011	46,886	\$25,641,497
2012	46,316	28,096,009
2013	46,805	30,065,467
2014	48,453	32,035,687
2015 ⁽¹⁾	56,846	32,910,909
2016	57,742	34,231,143
2017 ⁽²⁾	57,803	29,135,918

⁽¹⁾ Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

⁽²⁾ Through third quarter of 2017.

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

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

The following is a summary of certain definitions and provisions of the Indenture which is not described elsewhere in the Official Statement. This Summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.

DEFINITIONS

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

“Acquisition Agreement” means that certain relating to the District, by and among the City and SDC Fairway Canyon, LLC, a Delaware limited liability company, together with any amendments thereto.

“Acquisition and Construction Fund” means the fund by that name established pursuant to the Indenture.

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

“Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of the District: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City 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 City, the District or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, the District or any designee thereof of complying with disclosure requirements of the City, the District or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, the District or any designee thereof related to an appeal of any Special Tax levy; the costs associated with the release of funds from an escrow account; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator (as defined in the RMA) or advanced by the City or the District for any other administrative purposes of the District, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

“Administrative Expense Fund” means the fund by that name established pursuant to the Indenture.

“Administrative Expenses Cap” means \$30,000.

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

“Authorized Representative of the District” means the Mayor of the legislative body of the District, the City Manager, the Assistant City Manager, the Director of Finance or any other person or persons designated by the Mayor of the legislative body of the District, the City Manager, the Assistant City Manager or the Director of Finance by a written certificate signed by one of such officers of the City and containing the specimen signature of each such person.

“Bond Counsel” means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds shall be recorded.

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

“Bonds” means the District’s 2019 Special Tax Bonds issued on March 12, 2019 in the aggregate principal amount of \$9,045,000.

“Bond Year” means the twelve-month period ending on September 1 of each year; provided, however, that the first Bond Year shall begin on the Delivery Date and end on September 1, 2019.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the District.

“Certificate of the Special Tax Consultant” means a certificate of Webb Municipal Finance, LLC, or any successor entity appointed by the District, to administer the calculation and collection of the Special Taxes.

“City” means the City of Beaumont, California.

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

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated March 12, 2019, executed and delivered by the District, together with any amendments thereto.

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

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

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

“Depository” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds, including any such successor appointed pursuant to the Indenture.

“Developed Property” has the meaning ascribed to it in the RMA.

“District” means City of Beaumont Community Facilities District No. 2016-1 (Fairway Canyon) established pursuant to the Act and the Resolution of Formation.

“Event of Default” shall mean the “event of default” described in the Indenture.

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”) or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal, (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s and Moody’s, respectively (or any combination thereof).

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

“Fitch” means Fitch Ratings, New York, New York, or its successors, and if such organization shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“Gross Taxes” means the amount of all Special Taxes received by the District from the Treasurer, together with all payments made with respect to tax-defaulted parcels (including all delinquent and redemption penalties, fees and costs) and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture.

“Indenture” means the Bond Indenture pursuant to which the Bonds are issued, together with any Supplemental Indenture approved pursuant to the Indenture.

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

- (1) is in fact independent and not under the domination of the District or the City;
- (2) does not have any substantial interest, direct or indirect, in the District or the City;

and

- (3) is not connected with the District or the City as a member, officer or employee of the District or the City, but who may be regularly retained to make annual or other reports to the District or the City.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called bonds as the District may designate to the Trustee in writing.

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

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2019; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

“Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in subsection (11) of the definition of Permitted Investments.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year:

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

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

“Moody’s” means Moody’s Investors Service, New York, New York, or its successors, and if such organization shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses up to the Administrative Expenses Cap.

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

“Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except:

(1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture;

(2) Bonds and Parity Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and

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

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

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

“Permitted Investments” means any of the following that at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (provided that the Trustee may rely upon investment direction of the District as a determination that such investment is a legal investment):

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC)

(i) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(ii) Senior Debt obligations

(b) Farm Credit Banks (formerly: Federal Land Banks, Federal

(i) Intermediate Credit Banks and Banks for Cooperatives)

(ii) Consolidated system-wide bonds and notes

(c) Federal Home Loan Banks (FHL Banks)

(i) Consolidated debt obligations

(d) Federal National Mortgage Association (FNMA)

(i) Senior debt obligations

(ii) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(e) Financing Corporation (FICO)

(i) Debt obligations

(f) Resolution Funding Corporation (REFCORP)

(i) Debt obligations

4. Bank deposit products, unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Trustee), trust funds, trust accounts, overnight banking deposits, interest bearing deposits, interest bearing money market accounts, time deposits, demand deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank

(including the Trustee and any affiliate) the short-term obligations of which are rated “A-1” or “A-2” without regard to qualifier by a nationally recognized rating agency service.

5. Deposits (including bank deposit products) the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), or collateralized by Permitted Investments described in (1) above, in banks (including the Trustee and any affiliate) which have capital and surplus of at least \$5 million.

6. Commercial paper (having original maturities of not more than 270 days rated “A-1+” by Standard & Poor’s or “Prime-1” by Moody’s.

7. Money market mutual funds rated “AAM” or “AAM-G” by a nationally recognized rating agency service, or better (including those for which the Trustee or its affiliates receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise) but excluding such funds with a floating net asset value.

8. “State Obligations,” which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by Standard & Poor’s, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by Standard & Poor’s or “Prime-1” by Moody’s.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by Standard & Poor’s or “Aa” or better by Moody’s.

9. Pre-refunded municipal obligations rated “AAA” by Standard & Poor’s or “Aaa” by Moody’s meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the paying agent for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or paying agent in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the paying agent or escrow agent.

10. Repurchase or reverse repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by Standard & Poor's or Moody's (including the Trustee or any of its affiliates); or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by Standard & Poor's or Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by Standard & Poor's or Moody's, provided that:

(a) The collateral shall be securities described in clause 1(a), (b) or (c) of this subsection, and the market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Trustee or the District to the provider of the repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at one current market price plus accrued interest;

(b) The Trustee or a third party acting solely as agent therefor or for the District (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) The repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or 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, at the direction of Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Trustee or the District.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by Standard & Poor's or Moody's, respectively.

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

(a) interest payments are to be made to the Trustee or the District at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Improvement Fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee or the District agrees to give or cause to

be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks *pari passu* with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

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

(e) the investment agreement shall provide that if during its term

(i) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (y) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (z) repay the principal of and accrued but unpaid interest on the investment; and

(ii) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee or District; and

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

(g) the investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee or the District, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee or the District.

12. The State of California Local Agency Investment Fund.

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

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

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

“Principal Office of the Trustee” means the office of the Trustee located in Costa Mesa, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as Trustee under indentures pursuant to which municipal or governmental obligations are issued.

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

“Project” means those public facilities described in the Acquisition Agreement which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds, and to pay any other “incidental expenses” of the District, as such term is defined in the Act

“Rating Agency” means Fitch, Moody’s and Standard & Poor’s, or any one of such entities, as the context requires.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

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

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

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

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

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

“Reserve Requirement” means that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds. Notwithstanding the foregoing, in no event shall the Reserve Requirement exceed \$546,937.50, the initial Reserve Requirement.

“Resolution of Formation” means the Resolution adopted by the City Council on May 17, 2016 pursuant to which the City formed the District, and authorized the levy of Special Taxes therein.

“RMA” means that certain Rate and Method of Apportionment for the District approved pursuant to the Resolution of Formation as it may be amended in accordance with the Act.

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

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

“Special Taxes” means the taxes authorized to be levied by the legislative body of the District on property within the District as a Special Tax for Facilities in accordance with the Resolution of Formation, the Act, the RMA and the voter approval obtained at the May 17, 2016 election in the District.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business or its successors and if such organization shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“Subordinated Bonds” means any bonds or indebtedness of the District that have a lien, charge, pledge or encumbrance on the Net Taxes junior and subordinated to the lien, charge, pledge and encumbrance thereon for the Bonds and any Parity Bonds.

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

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

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

“Taxable Property” has the meaning ascribed to it in the RMA.

“Term Bonds” means the Bonds maturing on September 1, 2044 and on September 1, 2049, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“Treasurer” means the Treasurer Tax Collector of the County of Riverside, or his or her written designee.

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

“Underwriter” means Piper Jaffray & Co. with respect to the Bonds and, with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

GENERAL AUTHORIZATION AND BOND TERMS

Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Special Taxes, no other taxes are pledged to the

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

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

Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds shall be secured by a pledge, charge, lien and encumbrance upon and equally payable from the Net Taxes and other amounts in the Special Tax Fund without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund, which are set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund shall no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Acquisition and Construction Fund, the Costs of Issuance Fund or the Administrative Expense Fund shall be construed as a trust fund held for the benefit of the Owners.

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

Place and Form of Payment. The Bonds and Parity Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and Parity Bonds and any premiums due upon the redemption thereof shall be payable upon presentation and surrender thereof at the Principal Office of the Trustee, or at the designated office of any successor Trustee. Interest on any Bond or Parity Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond or Parity Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest shall be payable from such date of

authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond or Parity Bond, in which event interest shall be payable from the dated date of such Bond or Parity Bond, as applicable; provided, however, that if at the time of authentication of such Bond or Parity Bond, interest is in default, interest on that Bond or Parity Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond or Parity Bond, interest on that Bond or Parity Bond shall be payable from its dated date. Interest on any Bond or Parity Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond or Parity Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

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

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

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

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

Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond shall become mutilated, the District shall execute, and the Trustee shall authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so

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

Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds shall not be affected in any way by any defect in any proceedings taken by the District and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and of the regularity of their issuance.

Book-Entry System. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in the Indenture, all of the Outstanding Bonds shall be registered in the registration books kept by the Trustee in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book-entry bonds registered in the name of the Nominee as provided in the Indenture, in which case the references to "Bonds" in the Indenture with respect to the Book-Entry System shall be applicable to such Parity Bonds.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as

shown in the registration books kept by the Trustee, shall receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture shall refer to such new nominee of the Depository.

Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the District determines that the Depository shall no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Bonds shall designate, in accordance with the provisions of the Indenture.

Payments to the Nominee. Notwithstanding any other provisions of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds.

(a) The Trustee has established the following funds and accounts:

(1) The City of Beaumont Community Facilities District No. 2016-1 Proceeds Fund (the "Proceeds Fund").

(2) The City of Beaumont Community Facilities District No. 2016-1 Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account, and a Reserve Account).

(3) The City of Beaumont Community Facilities District No. 2016-1 Rebate Fund (the "Rebate Fund").

(4) The City of Beaumont Community Facilities District No. 2016-1 Acquisition and Construction Fund (the "Acquisition and Construction Fund").

(5) The City of Beaumont Community Facilities District No. 2016-1 Costs of Issuance Fund (the "Costs of Issuance Fund").

(6) The City of Beaumont Community Facilities District No. 2016-1 Surplus Fund (the "Surplus Fund").

(7) The City of Beaumont Community Facilities District No. 2016-1 Administrative Expense Fund (the "Administrative Expense Fund").

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Trustee and the Trustee shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of the Indenture and shall disburse investment earnings thereon in accordance with the provisions of the Indenture.

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

(b) The proceeds of the sale of the Bonds shall be received by the Trustee on behalf of the District and deposited and transferred as set forth in the Official Statement under the caption "ESTIMATED SOURCES AND USES OF FUNDS."

Deposits to and Disbursements from Special Tax Fund.

(a) Except for Prepayments which shall be deposited to the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to:

- (1) the Administrative Expense Fund;
- (2) the Interest Account of the Special Tax Fund;
- (3) the Principal Account of the Special Tax Fund;
- (4) the Redemption Account of the Special Tax Fund;
- (5) the Reserve Account of the Special Tax Fund;
- (6) the Rebate Fund; and
- (7) the Surplus Fund.

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

Administrative Expense Fund. The Trustee shall deposit in the Administrative Expense Fund from time to time amounts necessary to make timely payment of Administrative Expenses; provided, however, that, the total amount transferred in a Bond Year shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit in the Indenture, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon optional or extraordinary redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by the Indenture, at least five Business Days prior to each March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account five Business Days prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account five Business Days prior to September 1 of each year, commencing September 1, 2019, shall equal the principal payment due on the Bonds and any Parity Bonds on such September 1, whether at maturity or by Sinking Fund Payment, and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity or by Sinking Fund Payment.

Redemption Account of the Special Tax Fund.

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

(b) Prepayments deposited to the Redemption Account, along with any amounts that an Authorized Officer of the District directs to be transferred from the Reserve Account to the Redemption Account in connection with any Prepayments, shall be applied on the redemption date established pursuant to the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments; provided that amounts shall be transferred from the Reserve Account only if immediately following such redemption the amount in the Reserve Account will meet the Reserve Requirement.

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

Reserve Account of the Special Tax Fund. There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The amounts in the Reserve Account shall be applied as follows:

(a) Moneys in the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account or the Principal Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on the Bonds or any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account or the Principal Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers to the Administrative Expense Fund, the Interest Account, the Principal Account and the Redemption Account, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District, subject to any limitations in the Act, shall include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates and the limitations of the Act.

(c) In connection with a redemption of Bonds pursuant to the Indenture, or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds in accordance with the Indenture, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions above shall be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and shall be transferred to the Interest Account of the Special Tax Fund.

Rebate Fund.

(a) General. The Trustee shall establish and maintain, when needed, a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. The District shall cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by the Indenture and the Tax Certificate.

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any

temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to time, which the District covenants to pay or cause to be paid to the United States at the times and in the amounts determined under the Tax Certificate. The Trustee agrees to comply with all instructions given to it by the District in accordance with this covenant. The Trustee shall conclusively be deemed to have complied with the provisions of the Indenture and the Tax Certificate if it follows the instructions of the District and shall not be required to take any actions under the Indenture in the absence of instructions from the District.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund with respect to the Bonds and each series of Parity Bonds after payment in full of such issue and after making the payments required to comply with the Indenture and the applicable Tax Certificate for such issue may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the requirements of the Indenture shall survive the defeasance and final payment of the Bonds and any Parity Bonds.

(d) Amendment Without Consent of Owners. The foregoing may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis. Notwithstanding any provision of the Indenture, if the District shall provide to the Trustee an opinion of a nationally recognized bond or tax counsel that any specified action required under the Indenture is no longer required or that some further or different action is required to maintain the tax-exempt status of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis, the Trustee and the District may conclusively rely on such opinion in complying with the foregoing requirements, and the covenants under the Indenture shall be deemed to be modified to that extent.

Surplus Fund. After making the foregoing transfers required by the Indenture, as soon as practicable after each September 1, and in any event prior to each September 15, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing (i) that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture, or (ii) that certain amounts be transferred to the Acquisition and Construction Fund because such amounts were included in the levy of Special Taxes for the previous Fiscal Year to pay for the acquisition or construction of the Project; provided, however, that, if a transfer is made to the Acquisition and Construction Fund and unexpended proceeds of the Bonds or an issue of Parity Bonds remain in the Acquisition and Construction Fund, the Trustee shall establish an account within the Acquisition and Construction Fund for amounts transferred from the Surplus Fund. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus

Fund shall be invested at the written direction of the District in Permitted Investments, the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Permitted Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Costs of Issuance Fund.

(a) The moneys in the Costs of Issuance Fund shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District to pay Costs of Issuance, substantially in the form attached to the Indenture, and all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in such Certificate, and the Trustee may rely on such payment instructions with no duty to investigate or inquire as to their authenticity or the authority under which they were given.

(b) Upon the receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Costs of Issuance Fund is no longer needed to pay Costs of Issuance, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Costs of Issuance Fund to the Acquisition and Construction Fund. On the date which is six months after the date of issuance of each series of Bonds and Parity Bonds, all amounts remaining in the Costs of Issuance Fund shall be transferred to the Acquisition and Construction Fund and the Costs of Issuance Fund shall be closed.

Acquisition and Construction Fund.

(a) The Trustee shall hold the moneys in the Acquisition and Construction Fund and apply such moneys to pay Project Costs. Amounts for Project Costs shall be disbursed by the Trustee on behalf of the District from the Acquisition and Construction Fund as specified in a Request for Disbursement of Project Costs, substantially in the form attached to the Indenture, which must be submitted by an Authorized Representative of the District to the Trustee in connection with each requested disbursement.

(b) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund or in any of the accounts therein is no longer needed to pay Project Costs, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund and the accounts therein to the Principal Account or Redemption Account of the Special Tax Fund or to the Surplus Fund, as directed in the Certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there shall have been delivered to the Trustee with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Investments. Moneys held in any of the Funds, Accounts and Subaccounts under the Indenture shall be invested at the written direction of the District in accordance with the limitations set forth below only in Permitted Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Permitted Investments shall be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount shall be applied as follows: (i) investment earnings on all amounts deposited in the Costs of Issuance Fund, the Acquisition and Construction Fund, the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) shall be deposited in those respective Funds and Accounts, and (ii) investment earnings on all amounts deposited in the Reserve Account shall be deposited therein to be applied as set forth in the Indenture. Moneys in the Funds,

Accounts and Subaccounts held under the Indenture shall be invested by the Trustee as directed in writing by the District, from time to time, in Permitted Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund and the Acquisition and Construction Fund shall be invested in Permitted Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Costs of Issuance Fund and the Acquisition and Construction Fund.

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

(c) Moneys in the Reserve Account of the Special Tax Fund may be invested only in Permitted Investments; provided that no such Permitted Investment of amounts in the Reserve Account shall mature later than the earlier of the final maturity date of the Bonds or any Parity Bonds.

(d) Moneys in the Rebate Fund shall be invested only in Permitted Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to the Indenture or in Permitted Investments of the type described in clause (10) of the definition thereof as the District shall designate on forms provided by the Trustee.

(e) In the absence of written investment directions from the District, the Trustee shall invest solely in Permitted Investments specified in clause (7) of the definition thereof; and, if no such written direction is so received, the Trustee shall hold such moneys uninvested.

The Trustee shall sell, or present for redemption, any Permitted Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts shall be valued at their cost, except that amounts in the Reserve Account shall be valued at the market value thereof at least annually within 5 Business Days prior to each September 1. In making any valuations under the Indenture, the Trustee may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything in the Indenture to the contrary, the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture.

The Trustee may act as principal or agent in the making or disposing of any investment and shall be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, or present for redemption, any Permitted Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and, subject to the provisions of the Indenture, the Trustee shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture, but shall account for each separately.

The Trustee shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the District. Upon the District's election, such statements will be delivered via the Trustee's online service and, upon electing such service, appear statements will be provided only upon request. The District acknowledges that, to the extent

regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost, and other trade confirmations may be obtained from the applicable broker.

REDEMPTION OF BONDS AND PARITY BONDS

Selection of Bonds and Parity Bonds for Redemption. If less than all of the Bonds or Parity Bonds Outstanding are to be redeemed, the portion of any Bond or Parity Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. So long as the Bonds are registered in the name of the Nominee, such Bonds or any portion thereof shall be selected by the Depository in accordance with its operating procedures.

Partial Redemption of Bonds or Parity Bonds. Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Indenture, 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: (a) the Bonds and Parity 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 Indenture or in any Supplemental Indenture with respect to any Parity Bonds, anything in the Indenture or in the Bonds or the Parity Bonds to the contrary notwithstanding; (b) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds and Parity Bonds shall be paid to the Owners thereof; (c) as of the redemption date the Bonds or the Parity Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or Parity Bonds, or portions thereof, shall cease to bear further interest; and (d) as of the date fixed for redemption no Owner of any of the Bonds, Parity Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

COVENANTS AND WARRANTY

Warranty. The District warrants that it shall preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

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

(a) **Punctual Payment; Against Encumbrances.** The District covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer to deposit all Special Taxes with the Trustee as soon as reasonably practicable following their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such

Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

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

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

(b) Levy of Special Tax. Beginning in Fiscal Year 2019-20 and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, subject to the limitations set forth in the Act and the RMA, the legislative body of the District covenants to levy the Special Tax in an amount sufficient (taking into account reasonably anticipated delinquencies), together with other amounts on deposit in the Special Tax Fund, to pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

(c) Commence Foreclosure Proceedings. The District covenants with and for the benefit of the Owners of the Bonds and the landowners of the District securing such Bonds that it will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than July 1 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies within the District, if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$2,500 or more or as to any single parcel the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes within the District, 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 45 days of such determination, and (if the delinquency remains uncured) the District will cause judicial foreclosure proceedings to be filed in the Superior Court within ninety (90) days of such determination against all properties for which the Special Taxes remain delinquent.

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

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund, or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing contained in the Indenture shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the improvements constructed with the proceeds of bonded indebtedness issued by the District, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

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

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

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

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any applicable Parity Bonds.

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

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

(g) Reduction of Maximum Special Taxes. The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum

authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the Administrative Expense Cap and 110% of gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant shall assume an amount equal to the Administrative Expenses Cap.

Notwithstanding the foregoing, the District may modify, alter or amend the RMA in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property below the amounts which are necessary to pay Administrative Expenses and to provide Special Taxes in an amount equal to one hundred ten percent (110%) of Maximum Annual Debt Service on the Bonds and Parity Bonds Outstanding as of the date of such amendment.

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

(i) Limitation on Right to Tender Bonds. The District covenants that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosure. The District covenants to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission.

(k) Further Assurances. The District shall preserve and protect the security pledged to the Bonds and any Parity Bonds against all claims and demands as long as the Bonds or Parity Bonds are Outstanding and shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or desirable to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in the Indenture.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

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

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

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

(e) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described in the preceding paragraph, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures 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 Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond; (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon; (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond; or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District shall desire to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture shall require the consent of the Bondowners, the District shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds 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 Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

TRUSTEE

Trustee. Wilmington Trust, National Association, has been appointed the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee represents that it has a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000. The District may, at any time, appoint a successor Trustee satisfying certain requirements under the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture.

Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. In the event the District shall for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the receipt of notice by the District, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court shall become the successor Trustee under the Indenture notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 90-day period.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events shall constitute an "Event of Default":

(a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

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

(c) except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Trustee has agreed to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under (a) or (b) above and within 10 days of the Trustee's knowledge of a default of the type described in (c) above which, if not cured, with the passage of time would become an Event of Default.

Remedies of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

(b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) by a suit in equity to require the District and its members, officers and employees to account as the Trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy conferred in the Indenture upon or reserved to the Trustee or 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 Indenture or now or later existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds and Parity Bonds shall be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds:

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

Second, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds;

provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

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

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

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

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

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

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

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have

refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

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

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

DEFEASANCE AND PARITY BONDS

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

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

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

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

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

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the federal tax covenants of the District or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under (c) above, there shall be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with the Indenture, 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 Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

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

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

(a) The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

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

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

(2) the authorized principal amount of such Parity Bonds;

(3) the date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on a September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) the denominations and method of numbering of such Parity Bonds;

(6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement;

(8) the form of such Parity Bonds; and

(9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District shall have received the following documents, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall be directed by the District to accept any of such documents bearing a prior date):

(1) a certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) a written request of the District as to the delivery of such Parity Bonds;

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

(4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

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

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

MISCELLANEOUS

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

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

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

(b) As to any Bond or Parity 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 Bond or Parity Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond or Parity Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee shall be affected by any notice to the contrary.

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

Unclaimed Moneys. Any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, shall be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the

Trustee, at the expense of the District, shall cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

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

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

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

Future Contracts. Nothing contained in the Indenture shall be deemed to restrict or prohibit the District from making contracts or issuing Subordinated Bonds or creating other indebtedness payable from a pledge, lien, charge and encumbrance upon the Net Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged under the Indenture.

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 desirable to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds or any Parity Bonds the rights and benefits provided in the Indenture.

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

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated March 12, 2019 (the “Disclosure Certificate”) is executed and delivered by City of Beaumont Community Facilities District No. 2016-1 (Fairway Canyon) (the “District”) in connection with the issuance and delivery by the District of its \$9,045,000 2019 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on February 19, 2019, by the City Council of the City of Beaumont, acting as the legislative body of the District, and the Bond Indenture dated as of March 1, 2019, by and between the District and Wilmington Trust, National Association, as trustee. The District covenants as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Certificate 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 Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

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

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

“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.

“City” means the City of Beaumont.

“Disclosure Representative” shall mean the City Manager, or his or her designee, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, Webb Municipal Finance, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the then current Dissemination Agent a written acceptance of such designation.

“District” shall mean City of Beaumont Community Facilities District No. 2016-1.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Official Statement” shall mean that certain Official Statement for the Bonds dated March 5, 2019.

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

“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 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.

“State” shall mean the State of California.

“Trustee” means Wilmington Trust, National Association or such other entity appointed by the District pursuant to the Indenture to act as the trustee under the Indenture.

“Underwriter” shall mean any underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Section 3. Provision of Annual Reports.

(a) The District shall, or, if the Dissemination Agent is other than the District, upon written direction shall cause the Dissemination Agent to, not later than February 10 after the end of the District’s Fiscal Year (June 30) commencing with the report due by February 10, 2020, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(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, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report 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 Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send, in a timely manner, a notice to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the repository if other than the MSRB through EMMA; and

(ii) promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

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

(a) Financial Statements. The audited financial statements of the City for the prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, however, that the City 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 City shall modify the basis upon which its financial statements are prepared, the District shall provide the information referenced in Section 8 below regarding such modification. If the City is preparing audited financial statements and such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following:

(i) the principal amount of the Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture and the Reserve Requirement as of the September 30 preceding the filing of the Annual Report;

(iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors of the District for approval prior to the filing of the Annual Report;

(iv) an update of the value-to-lien ratio for the District substantially in the form of Table 2 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(v) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;

(vi) a statement whether the District has been included in the County of Riverside's Teeter Plan;

(vii) a description of the collection and delinquency rate of Special Taxes in the District for the Fiscal Year then ended; and

(viii) any information not already included under (i) through (vii) above that the District is required to file in its annual report pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, with the California Debt and Investment Advisory Commission.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause the Dissemination Agent to give, notice filed with the Repository of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; and

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, 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 obligated person.

10. 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.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional paying agent or the change of the name of a paying agent;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. bond calls;
7. release, substitution or sale of property securing repayment of the Bonds; and
8. incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bond holders.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and that the Dissemination Agent, if other than the District, 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.

(f) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule and a continuing disclosure undertaking has been entered into. The District intends the words identified in subparagraphs (a)(10) and (b)(8) under this Section 5, and the term "financial obligation" used therein, to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018 and/or any future guidance or releases provided by the Securities and Exchange Commission.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Webb Municipal Finance, LLC. The Dissemination Agent, if other than the District, shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination

Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the District. The Dissemination Agent may resign by providing thirty (30) days written notice to the District and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver is related 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, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking hereunder, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Trustee at the written direction of any Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, 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 the District to comply with its obligations under this Disclosure Certificate, but only to the extent funds have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorney. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent 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. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

District: City of Beaumont
Community Facilities District No. 2016-1
550 East Sixth Street
Beaumont, CA 92223
Attn: City Manager

Underwriter: Piper Jaffray & Co.
120 Vantis Drive, Suite 330
Aliso Viejo, CA 92656
Attn: Public Finance

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

This Disclosure Certificate is executed as of the date and year first set forth above.

CITY OF BEAUMONT COMMUNITY FACILITIES
DISTRICT NO. 2016-1

By: _____
Disclosure Representative

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APPENDIX F

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 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

THE PAYING 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.

APPENDIX G
SECURITIES AND EXCHANGE COMMISSION ORDER

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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10406 / August 23, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18132

In the Matter of

**BEAUMONT FINANCING
AUTHORITY,**

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS
AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), against the Beaumont Financing Authority (“BFA” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. This matter involves material misstatements and omissions by the BFA in the sale of municipal securities. Between 2003 and 2013, the BFA issued approximately \$260 million in municipal bonds in 24 separate offerings. In connection with each of those offerings, a community facilities district established by the City of Beaumont, California (“the District”), in its capacity as an obligated person with respect to the bonds, entered into a continuing disclosure agreement (“CDA”) for the benefit of investors in the BFA’s municipal securities, including annual reports containing financial information and operating data relating to the bonds being offered. From the period of at least 2004 through April 2013, the District regularly failed to comply with its CDAs.

2. In 2012 and 2013, the BFA issued approximately \$32.26 million of revenue bonds in five separate offerings. In each of those offerings, the BFA falsely stated in its official statements that, except in one instance several years earlier, the District had complied with its CDAs.

3. As a result of the conduct described herein, the BFA violated Sections 17(a)(2) and (a)(3) of the Securities Act.

Respondent

4. **Beaumont Financing Authority** is a joint exercise of powers authority formed by the City of Beaumont, California (“Beaumont”) under the California Joint Exercise of Powers Act. Among other things, the BFA issues bonds to public investors to provide funds for the acquisition of local obligations issued by the District. The District receives the proceeds from the BFA bond sales for the acquisition and construction of public facilities permitted under state law. The BFA bonds that are sold to public investors are secured by the revenues from the repayment of the District local obligations and certain other specified sources of repayment. The Mayor of Beaumont serves, *ex officio*, as Chairperson of the BFA and the City Manager of Beaumont also is the BFA’s Executive Director. Beaumont performs general administrative and support functions for the BFA.

Other Relevant Entities

5. **Beaumont** is a city in Riverside County, California. It has a population of approximately 40,000 residents and is managed by an elected five-member City Council. The City Council also serves as the governing board (“Board”) of the BFA. Beaumont governs and administers the District.

6. **Beaumont Community Facilities District 93-1** is a community facilities district formed by Beaumont for the purpose of financing and refinancing the acquisition or construction of public facilities, which includes the public infrastructure of real estate developments. The District issues local obligations secured and paid by special taxes levied on homes within the boundaries of the district. From approximately 1995 to 2015, the Beaumont City Manager

managed the operations of the District. Among other things, this involved reviewing, signing, and filing documents on behalf of the District, including CDAs and continuing disclosure reports.

7. **Alan Charles Kapanicas**, age 65, is a resident of Palm Desert, California. From approximately 1995 to 2015, Kapanicas was both the Executive Director of the BFA and City Manager of Beaumont. As such, Kapanicas was involved in nearly every aspect of the management of the BFA and the District.

The District Agreements to Provide Annual Disclosures in Connection with BFA Municipal Bond Offerings

8. Between 2003 and 2013, the BFA issued approximately \$260 million in municipal bonds in 24 separate offerings. In connection with each of those offerings, the District, in its capacity as an obligated person with respect to the bonds, executed a CDA pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (“Exchange Act”), in which it agreed to publicly file annual reports containing specified financial information and operating data, as well as notices of certain enumerated events pertaining to the bonds at issue. Among other things, the CDAs required that such annual reports contain special tax delinquency data, the status of facilities being constructed with bond proceeds, the balances of various funds that could be drawn upon to pay bondholders in the event of insufficient special tax collections, and Beaumont’s audited financial statements. The CDAs also identified the filing deadlines for the annual reports and notices, as well as the repositories where the required information was required to be posted.

9. In his capacity as City Manager, Kapanicas approved and signed all 24 CDAs on behalf of the District. He also was responsible for drafting, signing off on, and filing the District’s annual reports and notices that were required by the CDAs.

10. In December of 2011, while reviewing a preliminary official statement for a 2011 bond offering by the BFA, a credit analyst at a large institutional investor requested that the District revise the terms of a draft CDA for those bonds. The revisions included changing the due date for the District’s required annual reports and including information about various fund balances in the District’s annual reports that served as sources of potential repayment of, and security for, the BFA’s bonds. Kapanicas and the BFA knew about and approved the specific changes. The District also included the revised due date and additional fund balances in the CDAs that it entered into in connection with the BFA’s 2012 and 2013 offerings.

The District Repeatedly Failed to Comply with its Continuing Disclosure Agreements

11. From the period of at least 2004 through April 2013, the District regularly failed to comply with its CDAs. It filed its annual reports late virtually every year during this period, including by as many as 117 days. Moreover, the annual reports that it filed consistently omitted information required by its CDAs. Two required components of the annual reports were a description of the status of facilities being constructed with bond proceeds and Beaumont’s audited financial statements. The District, however, never included these items in its annual reports. It also failed to include complete special tax delinquency data and reserve fund balances for several

years. Other required disclosures missing in certain annual reports included cash flow management fund balances, rate stabilization fund balances, residual fund balances, and special escrow fund balances. The cash flow management, rate stabilization, and residual funds served as additional sources of repayment and security for the BFA's bonds.

The BFA Falsely Stated in Five Official Statements that the District had Complied with its Prior Continuing Disclosure Agreements

12. In 2012 and 2013, the BFA issued approximately \$32.26 million of revenue bonds in five separate offerings. The official statements for each of these five offerings included a section titled "Continuing Disclosure," which represented that an annual report due November 1, 2002 was filed on December 21, 2002, but the District had not otherwise failed to meet its continuing disclosure requirement under Rule 15c2-12. These representations were false. As noted above, the District repeatedly failed to comply with its prior CDAs. It regularly filed annual reports late, and those reports did not contain several pieces of financial information and operating data required by those prior CDAs.

13. For each of these five offerings, the BFA delegated to its Executive Director responsibility for carrying out the bond issuances, and for reviewing and approving the content of all draft and final official statements. Kapanicas also signed the final official statements on behalf of the BFA after the BFA's Board approved the documents for dissemination to the investing public.

14. The reality of the District's history of compliance with its prior CDAs was very different from this representation to investors. Reasonable investors would have wanted to know about the District's many disclosure failures from 2004 through 2013 and would have viewed the omitted information as significantly altering the total mix of information made available in making a trading decision. The BFA's failure to disclose the District's true record of compliance with its past CDAs made the BFA's bonds appear more attractive to investors than they actually were. The BFA also misled these investors regarding the likelihood that the District would timely comply with its CDAs in the future.

15. The BFA failed to exercise reasonable care. Its Executive Director repeatedly reviewed, approved, and signed materially misleading official statements. As City Manager, Kapanicas had previously reviewed and signed all of the District's prior CDAs and he also subsequently prepared and filed the deficient and late annual reports. He repeatedly either failed to read and understand the District's CDAs or disregarded their requirements. He also repeatedly failed to read and confirm that the statements in the BFA's 2012 and 2013 official statements concerning the District's compliance with past CDAs were accurate and complete, or ignored the fact that the statements were false.

16. Despite seeking and receiving hundreds of millions of dollars in financing from municipal securities investors between 2003 and 2013, the BFA and the District did not have any formal written policies or procedures for the preparation of accurate, complete and timely official statements or post-issuance continuing disclosures. The BFA and the District also did not clearly delineate the responsibilities of officers, staff, professional services providers, and contractors.

Instead, each relied almost exclusively on Kapanicas to manage their bond issuances and to make post-issuance disclosures without any significant governance, oversight or supervision. The BFA and the District also failed to properly account for the spending of bond proceeds and to maintain appropriate records of bond transactions, which hindered the BFA's and the District's ability to make and ensure timely, accurate and complete pre- and post-issuance disclosures.

Legal Discussion

17. Section 17(a)(2) of the Securities Act makes it unlawful “in the offer or sale of any securities ... directly or indirectly ... to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.” 15 U.S.C. § 77q(a)(2). Section 17(a)(3) of the Securities Act makes it unlawful “in the offer or sale of any securities ... directly or indirectly ... to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.” 15 U.S.C. § 77q(a)(3). Negligence is sufficient to establish violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act. *See Aaron v. SEC*, 446 U.S. 680, 696-97 (1980). A misrepresentation or omission is material if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision. *See Basic Inc. v. Levinson*, 485 U.S. 224, 231-32 (1988).

18. Exchange Act Rule 15c2-12 was adopted in an effort to improve the quality and timeliness of disclosures to investors in municipal securities. In recognition of the fact that the disclosure of sound financial information is critical to the integrity of not just the primary market, but also the secondary markets for municipal securities, Rule 15c2-12 requires an underwriter to obtain a written agreement, for the benefit of the holders of the securities, in which the issuer or obligated person undertakes, among other things, to annually provide certain financial information and event notices to the Municipal Securities Rulemaking Board. *See* 17 C.F.R. § 240.15c2-12(b)(5)(i); Municipal Securities Disclosure, Exchange Act Release No. 34961, 59 Fed. Reg. 59590, 59592 (Nov. 17, 1994) (“1994 Amendments Adopting Release”); and Amendment to Municipal Securities Disclosure, Exchange Act Release No. 59062, 73 Fed. Reg. 76103 (Dec. 15, 2008).

19. In addition, it is important for investors and the market to know the scope of any ongoing disclosure undertakings, and the type of information provided. *See* 1994 Amendments Adopting Release, at 59594. Rule 15c2-12 therefore requires that undertakings provided pursuant to Rule 15c2-12 be described in the final official statement. Moreover, critical to any evaluation of an undertaking to make disclosures is the likelihood that the issuer or obligated person will abide by the undertaking. *See id.* Therefore, Rule 15c2-12(f)(3) requires that a final official statement set forth any instances in the previous five years in which an issuer of municipal securities, or obligated person, failed to comply in all material respects with any previous continuing disclosure undertakings. The requirements of Rule 15c2-12 allow underwriters, investors, and others to assess the reliability of the disclosure representations. *See id.* at 59595.

20. As a result of the conduct described above, the BFA violated Sections 17(a)(2) and (3) of the Securities Act.

Undertakings

Respondent undertakes to:

21. Within 180 days of this Order, establish appropriate and comprehensive written policies and procedures and periodic training regarding all aspects of the BFA's municipal securities disclosures, including formal policies and procedures to be followed for the preparation, review and approval of official statements and continuing disclosures, and the designation of an individual officer of Respondent responsible for ensuring compliance by Respondent with such policies and procedures and responsible for implementing and maintaining a record (including attendance) of such training.

22. Within 180 days of this Order, establish appropriate and comprehensive written policies and procedures and periodic training regarding the accounting of bond proceeds and recordkeeping, and the designation of an individual officer of Respondent responsible for ensuring compliance by Respondent with such policies and procedures and responsible for implementing and maintaining a record (including attendance) of such training.

23. Within 180 days of this Order, ensure that the District complies with all existing continuing disclosure undertakings, including updating past delinquent filings if the District is not currently in compliance with its CDAs.

24. Retain an independent consultant (the "Independent Consultant"), not unacceptable to the Commission staff, to conduct a review of BFA's policies and procedures as they relate to all aspects of the BFA's municipal securities disclosures, the accounting of bond proceeds and recordkeeping. The Independent Consultant shall not have provided consulting, legal, auditing or other professional services to, nor had any affiliation with, the BFA during the two years prior to the institution of these proceedings.

25. Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with the BFA, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Division of Enforcement, enter into any employment, consultant, attorney-client, auditing or other professional relationship with the BFA, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement. The agreement will also provide that, within 180 days of the institution of these proceedings, the Independent Consultant shall submit a written report of its findings to the BFA, which shall include the Independent Consultant's recommendations for changes in or improvements to the BFA's policies and procedures.

26. Adopt all recommendations contained in the Independent Consultant's report within 90 days of the date of that report, provided, however, that within 30 days of the report, the BFA shall advise in writing the Independent Consultant and the Commission staff of any recommendations that the BFA considers to be unduly burdensome, impractical or inappropriate. With respect to any such recommendation, the BFA need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedures or system designed to achieve the same objective or purpose. As to any recommendation on which the BFA and the Independent Consultant do not agree, the BFA and the Independent Consultant shall attempt in good faith to reach an agreement within 60 days after the date of the Report. Within 15 days after the conclusion of the discussion and evaluation by the BFA and the Independent Consultant, the BFA shall require the Independent Consultant inform the BFA and the Commission staff in writing of the Independent Consultant's final determination concerning any recommendation that the BFA considers to be unduly burdensome, impractical, or inappropriate. Within 10 days of this written communication from the Independent Consultant, the BFA may seek approval from the Commission staff to not adopt recommendations that the BFA can demonstrate to be unduly burdensome, impractical, or inappropriate. Should the Commission staff agree that any proposed recommendations are unduly burdensome, impractical, or inappropriate, the BFA shall not be required to abide by, adopt, or implement those recommendations.

27. Disclose in a clear and conspicuous fashion the terms of this settlement in any final official statement for an offering by Respondent within five years of the institution of these proceedings.

28. Certify, in writing, compliance with the undertakings set forth above in paragraphs 21-27. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and the BFA agrees to provide such evidence. The certification and supporting material shall be submitted to LeeAnn G. Gaunt, Chief, Public Finance Abuse Unit, with a copy to the Office of Chief Counsel of the Division of Enforcement, no later than sixty (60) days from the date of the completion of the undertakings.

29. For good cause shown, the Commission staff may extend any of the procedural dates relating to these undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent BFA's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent BFA cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act.

B. Respondent BFA shall comply with the undertakings enumerated in paragraphs 21 – 29 of Section III, above.

By the Commission.

Brent J. Fields
Secretary

APPENDIX H
APPRAISAL REPORT

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Integra Realty Resources
San Francisco

Appraisal of Real Property

City of Beaumont CFD No. 2016-1 (Fairway Canyon)
North of Oak Valley Pwy., East and West of Tukwet Canyon Pwy.
Beaumont, Riverside County, California 92320

Prepared For:
Mr. Todd Parton, City Manager

Effective Date of the Appraisal:
January 1, 2019

Report Format:
Appraisal Report – Standard Format

IRR – San Francisco
File Number: 193-2018-0644



February 13, 2019

Mr. Todd Parton, City Manager
City of Beaumont
550 E. 6th Street
Beaumont, CA 92223

SUBJECT: City of Beaumont Community Facilities District No. 2016-1 (Fairway Canyon)
North of Oak Valley Pwy., East and West of Tukwet Canyon Pwy.
Beaumont, California

Dear Mr. Parton:

At your request and authorization, Integra Realty Resources – San Francisco has prepared an Appraisal Report for the purpose of estimating the market values (*fee simple estate*) of certain developed and undeveloped properties within the boundaries of the City of Beaumont Community Facilities District No. 2016-1 (“CFD No. 2016-1”), under the assumptions and limiting conditions contained in this Report.

The Appraisal Report has been conducted in accordance with appraisal standards and guidelines found in 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). This document constitutes an Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP.

CFD No. 2016-1 includes 372 residential lots comprising a portion of the Fairway Canyon master planned community located west of Interstate 10, north of Oak Valley Parkway, within the City of Beaumont, Riverside County, California. The Fairway Canyon master planned community is surrounded by the Morongo Golf Club at Tukwet Canyon golf course, which meanders throughout the community. Of the 372 Assessor’s parcels within the boundaries of CFD No. 2016-1, 131 parcels have a single-family home, most of which have sold to individual homeowners, with a complete assessed value for both land and improvements (defined as a total assessed value above \$300,000) and are not the subject of this Appraisal. CFD No. 2016-1 comprises four neighborhoods (in three planning areas) developed by three merchant builders: KB Home of California (“KB Home”); Western Pacific Housing Inc. (“DR Horton”) and Woodside 05S (“Woodside”).

A breakdown of the four neighborhoods, by builder, is shown in the following table:

Neighborhood	Builder	Total No. of Lots	Assessed Lots	Appraised Lots
Cherry Blossom at the Fairways	KB Home	94	20	74
Oak Ridge	Woodside	148	51	97
Windsor at the Fairways	DR Horton	64	30	34
Viridian Pointe at the Fairways	DR Horton	66	30	36
Total		372	131	241



The following table depicts a breakdown of the status of the 241 appraised lots within each neighborhood:

Neighborhood	Builder	Vacant Lots	Under Construction	Completed/Sold Model
Cherry Blossom at the Fairways	KB Home	0	0	74
Oak Ridge	Woodside	38	17	42
Windsor at the Fairways	DR Horton	0	9	25
Viridian Pointe at the Fairways	DR Horton	0	0	36
Total		38	26	177

It's worth noting, of the 74 lots within the Cherry Blossom at the Fairways by KB Home comprising the appraised properties, 72 are reflected on the Assessor's 2018/2019 Tax Roll as being held by the merchant builder (KB Home of California); however, as of the date of value (inspection), it appears all the homes have transferred to individual homeowners. Further, of the 97 lots within the Oak Ridge by Woodside comprising the appraised properties, 41 comprise completed homes (excluding one model home) reflected on the Assessor's 2018/2019 Tax Roll as being held by the merchant builder (Woodside 05S); however, as of the date of value (inspection), it appears all the homes have transferred to individual homeowners. Finally, of the 70 lots within the Windsor and Viridian Pointe at the Fairways by DR Horton comprising the appraised properties, 60 comprise completed homes reflected on the Assessor's 2018/2019 Tax Roll as being held by the merchant builder (Western Pacific Housing Inc.); however, as of the date of value (inspection), it appears all the homes have transferred to individual homeowners. The completed/sold homes within the boundaries of CFD No. 2016-1 not currently assessed for a complete improvement value by the Riverside County Assessor are appraised herein based on a not-less-than estimate of market value for the respective floor plan constructed within each neighborhood and assigned to each respective Assessor's parcel within CFD No. 2016-1. For the balance of the Assessor's parcels within CFD No. 2016-1, which includes vacant lots and lots with homes under construction, a finished/improved lot value is assigned.

We have been requested to provide a market value of the appraised properties by ownership and Assessor's parcel, as well as a cumulative, or aggregate, value of the properties, as of the date of inspection (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. 2016-1 account for the impact of the lien of the Special Tax securing the CFD No. 2016-1 Special Tax Bonds ("Bonds").

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 well as the Assessed Values of the 131 completed single-family residences not appraised, as of January 1, 2019, are as follows:



Final Value Conclusions

Value Premise	Date of Value	Value per Parcel	No. of Parcels	Aggregate Value
Not-Less-Than Market Value per Home [^]	1/1/2019			
Cherry Blossom at the Fairways (KB Home)		\$300,000	74	\$ 22,200,000
Oak Ridge (Woodside)		\$370,000	42	\$ 15,540,000
Windsor at the Fairways (DR Horton)		\$370,000	25	\$ 9,250,000
Viridian at the Fairways (DR Horton)		\$350,000	36	\$ 12,600,000
Not-Less-Than Market Value - Homes Under Construction	1/1/2019			
Oak Ridge (Woodside)		\$110,000	17	\$ 1,870,000
Windsor at the Fairways (DR Horton)		\$110,000	9	\$ 990,000
Market Value - Finished (vacant) Lots	1/1/2019			
Oak Ridge (Woodside)		\$107,105	38	\$ 4,070,000
Aggregate Value of Appraised Properties	1/1/2019		241	\$ 66,520,000
Aggregate Retail Value of Existing Homes based on Assessed Value (Fiscal Year 2018-19)			131	\$ 50,978,300
Total Aggregate Value of Appraised and Assessed Properties in the District			372	\$ 117,498,300

[^] Based upon the smallest floor plan within each subdivision

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 reimburse for certain public facilities completed. The estimate of market value accounts for the impact of the Lien of CFD No. 2016-1 for the Special Taxes securing the Bonds.

The estimates of value above represent a “not-less-than” value due to the fact we were requested to provide a market value of each floor plan (by project) on each single-family residential lot improved with a completed home without a complete assessed improvement value assigned with no consideration to options/upgrades or improvements completed above the base floor plan value.

Any properties within CFD No. 2016-1 not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), in addition to those lots/parcels with completed improvements with an assigned complete assessed value for both land and improvements, 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.



Mr. Todd Parton
February 13, 2019
Page 4

Further, the estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of CFD No. 2016-1 are not marketed concurrently, which would suggest a market under duress.

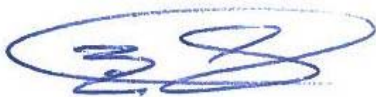
We hereby certify the properties have been inspected and have impartially considered all data collected in the investigation as part of furnishing this Appraisal Report. Further, we have no past, present or anticipated future interest in the properties. This letter must remain attached to this Appraisal Report, which contains 61 pages, plus related exhibits and Addenda, in order for the value opinions set forth herein to be considered valid.

The appraised properties do not have any significant natural, cultural, recreational or scientific value. The appraisers certify this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

This 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 report. The appraisers understand and agree that this Appraisal Report is expected to be, and may be, utilized by the City of Beaumont and CFD No. 2016-1 in the marketing of the Bonds and to satisfy certain legal requirements in connection with issuing the Bonds.

Thank you for the opportunity to work with your office on this assignment.

Respectfully submitted,



Eric A. Segal, MAI
State Certification No.: AG026558
Expiration Date: February 18, 2021



Kevin K. Ziegenmeyer, MAI
State Certification No.: AG013567
Expires: June 4, 2019



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Summary of Salient Facts and Conclusions

Property:	The appraised property comprises 241 of the 372 Assessor's parcels within the boundaries of Community Facilities District No. 2016-1 of the City of Beaumont
Location:	North of Oak Valley Pwy., East and West of Tukwet Canyon Pwy., within the City of Beaumont, Riverside County, California
Assessor Parcel Numbers/ Owners of Record:	A complete list of the 372 Assessor's parcels comprising CFD No. 2016-1, along with the respective ownership, based on the 2018/2019 Assessor's Tax Roll, which comprises both the appraised properties and Assessed properties, is presented in the Value by Assessor's Parcel list in the Addenda to this Appraisal Report.
Census Tract:	438.23
Zoning:	SPA – Specific Plan Area
Flood Zone:	Zone X – area of minimal flood hazard [F.E.M.A. F.I.R.M. Panel 06065C0785G], effective August 28, 2008
Earthquake Zone:	According to the County of Riverside, the appraised properties are not located within a Fault Zone. According to the Seismic Safety Commission, the subject properties are 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. According to the California Department of Conservation, the subject does not appear to be located within a Landslide and Liquefaction Zone study area.
Lot Sizing:	The lot sizes within the CFD range between 4,356 to 16,553 square feet, with an average of 7,840 square feet
Highest and Best Use, as Vacant:	Single-family residential development
Highest and Best Use, as Improved:	Continuation of single-family residential development
Property Rights Appraised:	Fee simple interest
Date of Inspection:	December 23, 2018
Effective Date of Value:	January 1, 2019
Date of Report:	February 13, 2019
Exposure Time/Marketing Time:	12 months

**Conclusion of Cumulative, or Aggregate,
Value of CFD No. 2016-1:**

Final Value Conclusions				
Value Premise	Date of Value	Value per Parcel	No. of Parcels	Aggregate Value
Not-Less-Than Market Value per Home [^]	1/1/2019			
Cherry Blossom at the Fairways (KB Home)		\$300,000	74	\$ 22,200,000
Oak Ridge (Woodside)		\$370,000	42	\$ 15,540,000
Windsor at the Fairways (DR Horton)		\$370,000	25	\$ 9,250,000
Viridian at the Fairways (DR Horton)		\$350,000	36	\$ 12,600,000
Not-Less-Than Market Value - Homes Under Construction	1/1/2019			
Oak Ridge (Woodside)		\$110,000	17	\$ 1,870,000
Windsor at the Fairways (DR Horton)		\$110,000	9	\$ 990,000
Market Value - Finished (vacant) Lots	1/1/2019			
Oak Ridge (Woodside)		\$107,105	38	\$ 4,070,000
Aggregate Value of Appraised Properties	1/1/2019		241	\$ 66,520,000
Aggregate Retail Value of Existing Homes based on Assessed Value (Fiscal Year 2018-19)			131	\$ 50,978,300
Total Aggregate Value of Appraised and Assessed Properties in the District			372	\$ 117,498,300

[^] Based upon the smallest floor plan within each subdivision

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 reimburse for certain public facilities completed. The estimate of market value accounts for the impact of the Lien of CFD No. 2016-1 for the Special Taxes securing the Bonds.

The estimates of value above represent a “not-less-than” value due to the fact we were requested to provide a market value of the smallest floor plan (by project) on each single-family residential lot improved with a completed home without a complete assessed improvement value assigned.

The market value of the appraised properties by Assessor’s Parcel can be found in the Addenda of this Appraisal Report. Any properties within CFD No. 2016-1 not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), in addition to those lots/parcels with completed improvements with an assigned complete assessed value for both land and improvements, are not a part of this appraisal.

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 report, market value is estimated by ownership.

The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of CFD No. 2016-1 are not marketed concurrently, which would suggest a market under duress.

The value conclusions noted above are subject to the Extraordinary Assumptions, Hypothetical Conditions, General Assumptions and Limiting Conditions referenced in this report.

General Information

Identification of Subject

The subject property represents the City of Beaumont Community Facilities District No. 2016-1, which comprises 372 residential lots within the Fairway Canyon master planned community located north of Oak Valley Parkway, east and west of Tukwet Canyon Parkway, within the City of Beaumont, Riverside County, California. Of the 372 Assessor's parcels within the boundaries of CFD No. 2016-1, 131 parcels have a single-family home, most of which have sold to individual homeowners, with a complete assessed value for both land and improvements (defined as a total assessed value above \$300,000) and are not the subject of this Appraisal. CFD No. 2016-1 comprises four neighborhoods developed by three merchant builders: KB Home, DR Horton and Woodside.

A breakdown of the four neighborhoods, by builder, is shown in the following table:

Neighborhood	Builder	Total No. of Lots	Assessed Lots	Appraised Lots
Cherry Blossom at the Fairways	KB Home	94	20	74
Oak Ridge	Woodside	148	51	97
Windsor at the Fairways	DR Horton	64	30	34
Viridian Pointe at the Fairways	DR Horton	<u>66</u>	<u>30</u>	<u>36</u>
Total		372	131	241

The following table depicts a breakdown of the status of the 241 appraised lots within each neighborhood:

Neighborhood	Builder	Vacant Lots	Under Construction	Completed/Sold Model
Cherry Blossom at the Fairways	KB Home	0	0	74
Oak Ridge	Woodside	38	17	42
Windsor at the Fairways	DR Horton	0	9	25
Viridian Pointe at the Fairways	DR Horton	<u>0</u>	<u>0</u>	<u>36</u>
Total		38	26	177

It's worth noting, of the 74 lots within the Cherry Blossom at the Fairways by KB Home comprising the appraised properties, 72 are reflected on the Assessor's 2018/2019 Tax Roll as being held by the merchant builder; however, as of the date of value (inspection), it appears all the homes have transferred to individual homeowners. Further, of the 97 lots within the Oak Ridge by Woodside comprising the appraised properties, 41 comprise completed homes (excluding one model home) reflected on the Assessor's 2018/2019 Tax Roll as being held by the merchant builder; however, as of the date of value (inspection), it appears all the homes have transferred to individual homeowners. Finally, of the 70 lots within the Windsor and Viridian Pointe at the Fairways by DR Horton comprising the appraised properties, 60 comprise completed homes reflected on the Assessor's 2018/2019 Tax Roll as being held by the merchant builder; however, as of the date of value (inspection), it appears all the homes have transferred to individual homeowners. The completed/sold homes within the boundaries of CFD No. 2016-1 not currently assessed for a complete improvement value by the Riverside County Assessor are appraised herein based on a not-less-than estimate of market value for the respective floor plan constructed within each neighborhood and assigned to each respective Assessor's parcel within CFD No. 2016-1. For the balance of the Assessor's parcels within CFD No. 2016-1, which includes vacant lots and lots with homes under construction, a finished/improved lot value is assigned.

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, insomuch 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 either improved single-family residential lots or completed single-family homes currently (or recently, in the case of KB Home) being marketed for sale by Woodside and DR Horton within CFD No. 2016-1.

Purpose of the Appraisal

The purpose of this Appraisal Report is to estimate the market value (*fee simple estate*), by ownership and Assessor's parcel, and the cumulative, or aggregate value of the appraised properties comprising a portion of the CFD No. 2016-1, subject to the hypothetical condition certain proceeds from the Bonds will be available to reimburse for certain public facilities completed, as of the effective date of the appraisal, January 1, 2019. 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." The date of the report is February 13, 2019. The Appraisal Report is valid only as of the stated effective date or dates. The estimate of market value accounts for the impact of the Lien of CFD No. 2016-1 for the Special Taxes securing the Bonds.

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 client and intended user of the report is the City of Beaumont and CFD No. 2016-1, along with the associated Finance Team. The Appraisal Report is intended for use in bond underwriting, and will be included in the Preliminary Official Statement and the Official Statement used to market the Bonds. The Appraisal Report will also be used to make certain determinations on behalf of CFD No. 2016-1 to satisfy issuance conditions with respect to the Bonds.

Applicable Requirements

This Appraisal Report 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;
- California Debt and Investment Advisory Commission (CDIAC) (2004).

Report Format

This Appraisal 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 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

This Appraisal Report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the appraised properties were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records. Zoning and entitlement information was collected from the City of Beaumont Planning Department (on-line resources). The subject’s earthquake zones, flood zones and utilities were obtained from the respective agencies, and property tax information was obtained from the County of Riverside Assessor’s Office on-line resources.

Data relating to the subject's neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area; newspaper articles; real estate conferences; and interviews with various market participants, including property owners, property managers, land brokers, developers and local government agencies.

In this appraisal we determined the highest and best use of the subject property as though vacant based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). As will be shown in the *Highest and Best Use Analysis* section, the highest and best use of the subject property is for near term single-family residential development (production homes).

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 the smallest floor plan marketed within each subdivision. 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, by ownership.

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 reimburse for certain public facilities completed. The estimate of market value accounts for the impact of the Lien of CFD No. 2016-1 for the Special Taxes securing the Bonds.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the Appraisal 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 Appraisal 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

An inspection of the subject was completed on December 23, 2018. The effective date of market value is January 1, 2019. This Appraisal Report was completed and assembled on February 13, 2019.

Extraordinary Assumptions and Hypothetical Conditions

It is noted the use of an extraordinary assumption or hypothetical condition may have affected the results of the appraisal.

Extraordinary Assumptions

None

Hypothetical Conditions

1. The market values estimated herein is 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 reimburse for certain public facilities completed. The estimate of market value accounts for the impact of the Lien of CFD No. 2016-1 for the Special Taxes securing the Bonds.

Property History and Information

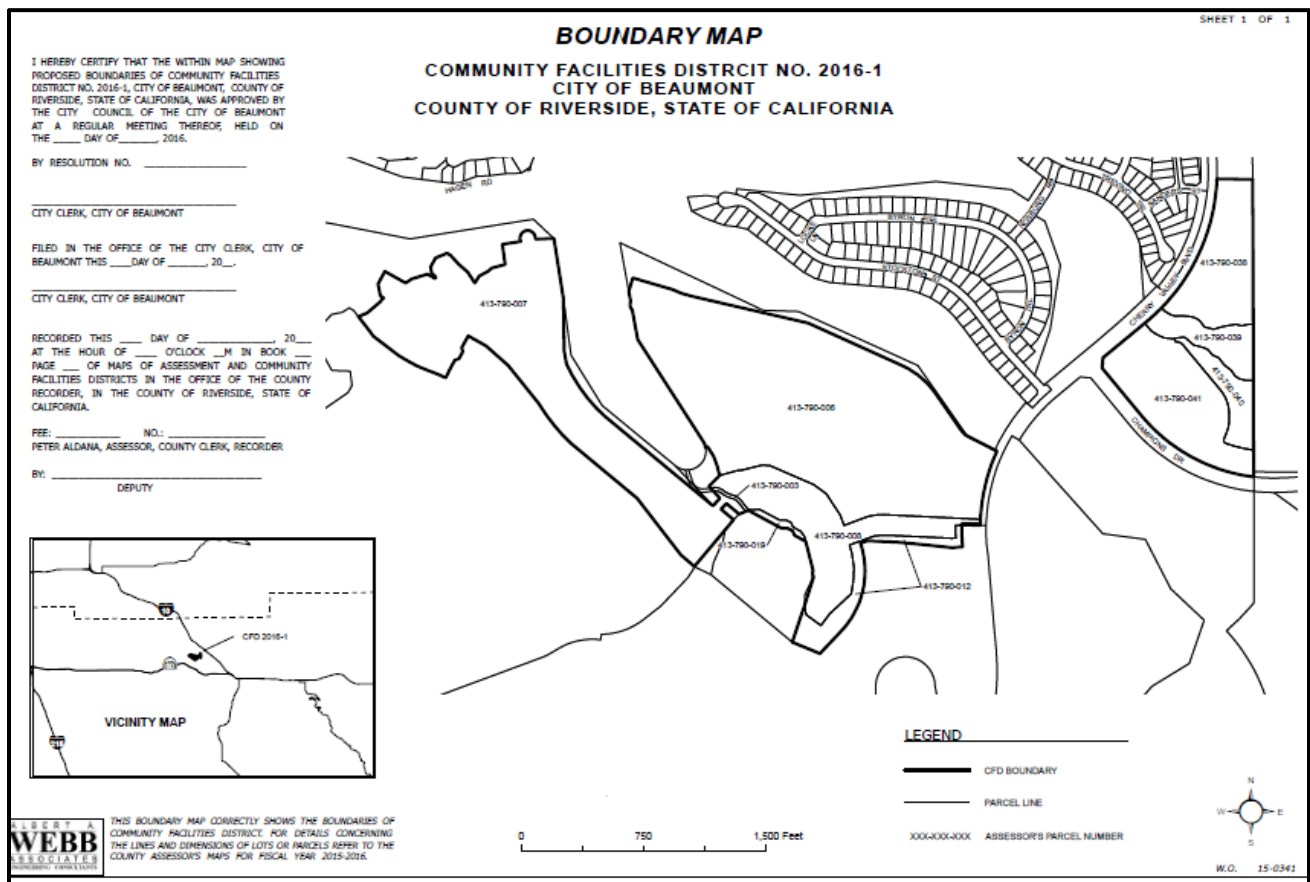
Property Legal Data

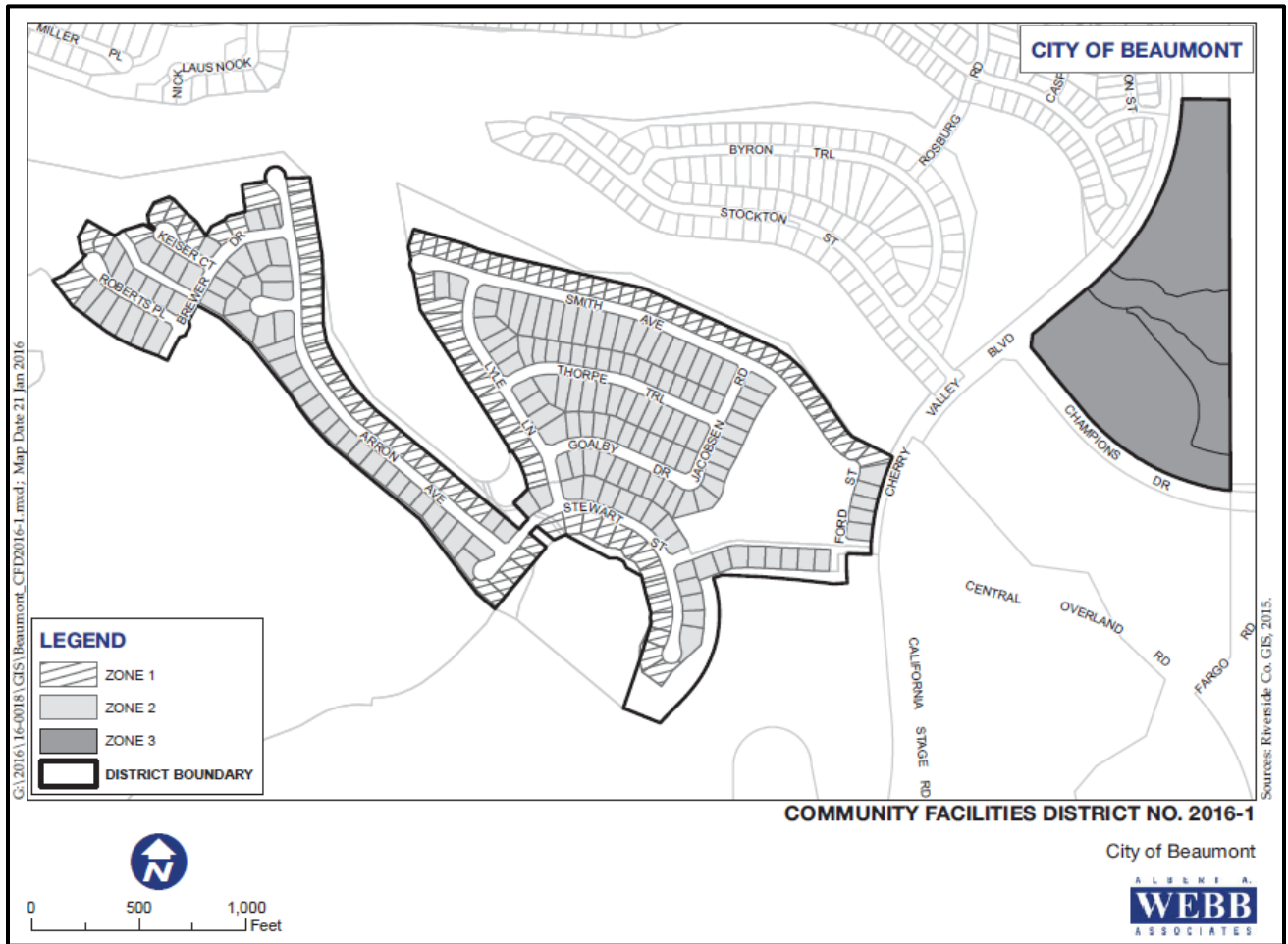
Assessor's Parcel Map(s)

CFD No. 2016-1 of the City of Beaumont consists of 372 single-family residential lots, of which 131 have a single-family home with a complete assessed value for both land and improvements and are not the subject of this appraisal.

Of the 241 Assessor's parcels comprising the subject of this Appraisal Report, there are 177 completed single-family homes, including one model home, within the boundaries of CFD No. 2016-1 not currently assessed for a complete improvement value by the Riverside County Assessor; as such, a not-less-than estimate of market value for the floor plans constructed within each subdivision was appraised and assigned to each respective Assessor's parcel within CFD No. 2016-1. Of the 64 remaining Assessor's parcels, 38 represented vacant, or finished, lots and 26 were under construction with new single-family residential homes for which a finished/improved lot value was assigned.

Below, and on the following page, is a Boundary Map for CFD No. 2016-1.

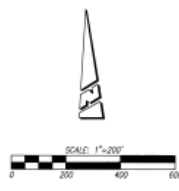




Current Assessor’s parcel maps are not yet available from the County of Riverside Assessor’s Office. Presented on the following pages are excerpts from the Final Maps recorded, which comprise all of the appraised and assessed parcels within the boundaries of CFD No. 2016-1.

TRACT NO. 31462-7

IN THE CITY OF BEAUMONT, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
 BEING A DIVISION OF PARCELS 1 OF PARCEL MAP NO. 32775, RECEIVED IN BOOK 237 OF PARCEL MAPS, PAGES 73 THROUGH 84, INCLUDING RECORDS OF RIVERSIDE COUNTY, STATE OF CALIFORNIA, WITHIN SECTION 36, TOWNSHIP 2 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, ALL IN THE CITY OF BEAUMONT, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.
 PROACTIVE ENGINEERING CONSULTANTS WEST JULY 2015



CURVE #	ANGLE	DELTA	LENGTH	RADIUS
001	280.87	27.9731°	121.32	81.49
002	41.09	89.9731°	36.33	32.26
003	118.89	27.9731°	418.84	216.87
004	118.89	89.9731°	2.27	1.13
005	118.89	27.9731°	43.89	32.26
006	47.87	89.9731°	56.55	32.26
007	118.89	89.9731°	388.63	216.87

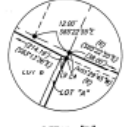
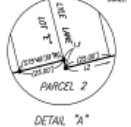
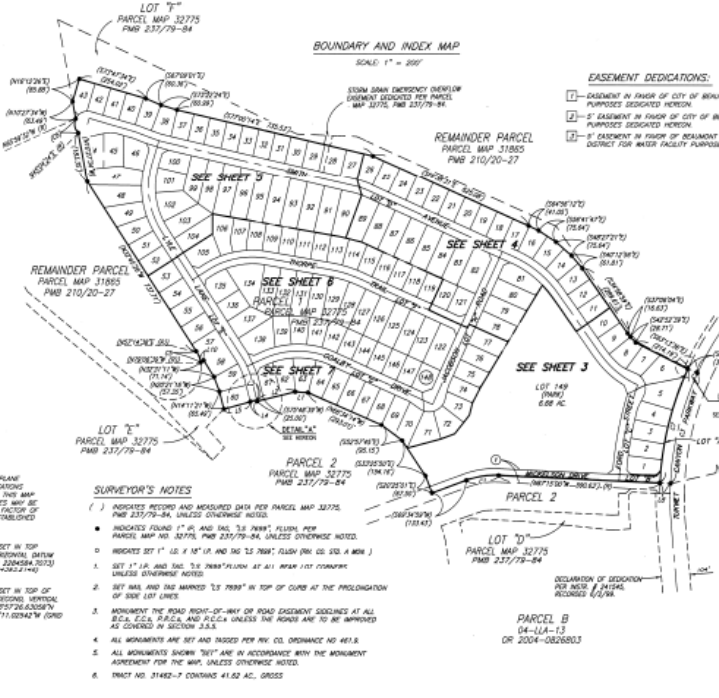
LINE #	LENGTH	DIRECTION
011	47.87	S89°52'27"W
012	143.11	S79°36'39"W
013	4.38	S44°12'17"W
014	29.87	S79°36'39"W
015	188.62	S74°19'17"W
016	11.28	S87°14'02"W
017	363.54	N02°27'27"W
018	28.87	S87°14'02"W
019	2.30	N67°13'32"E
020	73.27	N87°14'37"E

BASIS OF BEARINGS
 THE BASIS OF COORDINATES FOR THE MAP IS THE CALIFORNIA STATE PLANE COORDINATE SYSTEM 1983, ZONE 10, BASED LOCALLY ON CONTROL STATIONS TRANSIT AND TRUST, AS SHOWN HEREON. ALL DISTANCES SHOWN ON THIS MAP AND UNLESS OTHERWISE SPECIFIED, DISTANCES AND BEARINGS MAY BE OBTAINED BY MEASURING THE GRAPHIC DISTANCE BY A GRAPHIC SCALE OF APPROPRIATE SIZE. THE GRAPHIC COORDINATE SYSTEM IS ESTABLISHED BY USING G.P.S. IN A STATIC MODE FOR RELATIVE POSITIONING.

CONTROL STATION "TRANSIT"
 NATIONAL GEODETIC SURVEY, CALIFORNIA DIVISION OF HIGHWAYS DOGS SET IN TOP OF CONCRETE STAMPED "TRANSIT" MONUMENT, ORDER = SECOND, HORIZONTAL DATUM IS NAD 83, LATITUDE 32°52'27.71"N, LONG 116°58'42.50"W, ELEVATION 2284.54 (2003) AND LONGITUDE 117°02'53.78"W (2003) (NAD 83) (UNADJUSTED) (2284.54(2003)).

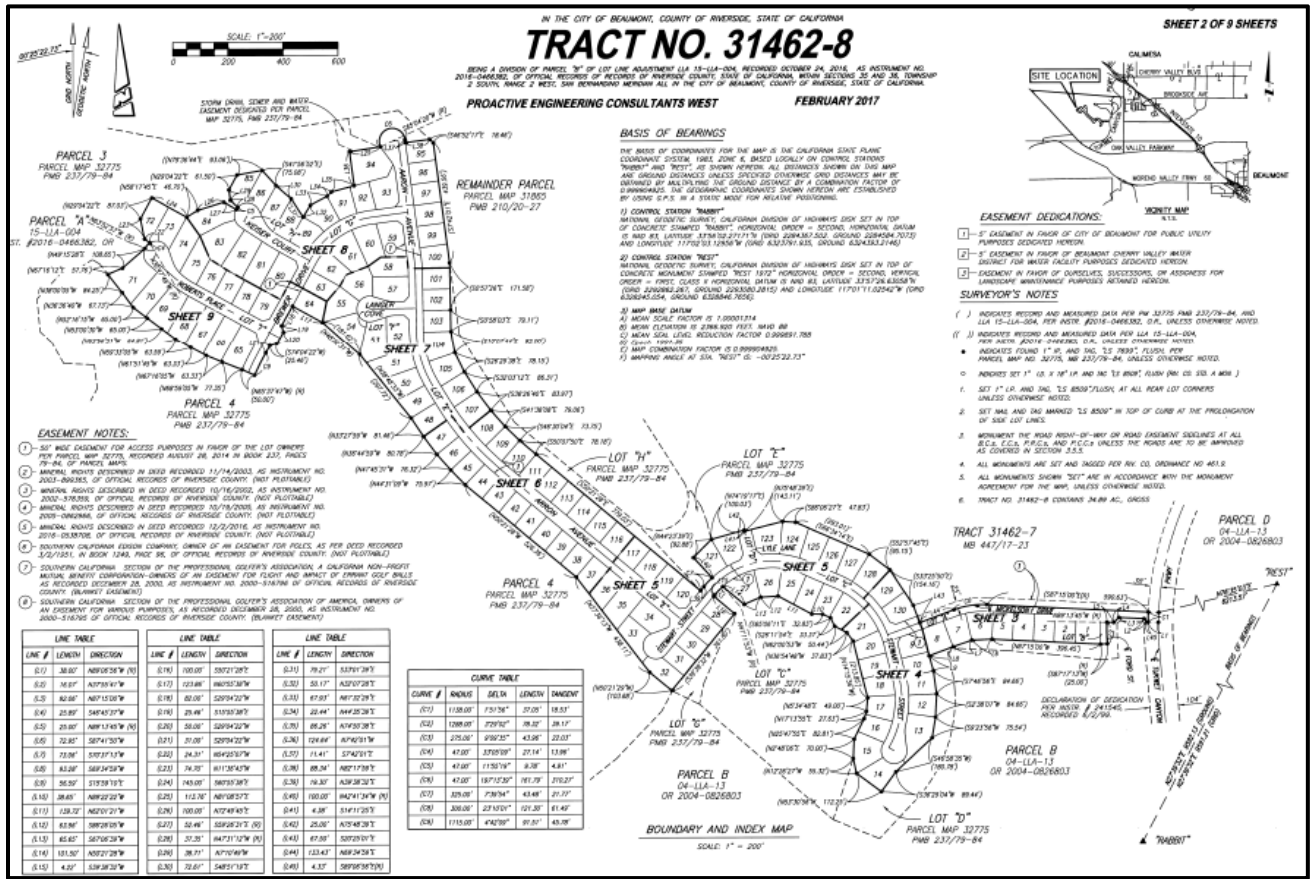
CONTROL STATION "TRUST"
 NATIONAL GEODETIC SURVEY, CALIFORNIA DIVISION OF HIGHWAYS DOGS SET IN TOP OF CONCRETE STAMPED "TRUST" MONUMENT, ORDER = SECOND, HORIZONTAL DATUM IS NAD 83, LATITUDE 32°52'27.71"N, LONG 116°58'42.50"W, ELEVATION 2284.54 (2003) AND LONGITUDE 117°02'53.78"W (2003) (NAD 83) (UNADJUSTED) (2284.54(2003)).

MAP GRID DATUM
 1) MAP GRID DATUM IS 100001114
 2) MEAN ELEVATION IS 2286.820 FEET, NAVD 83
 3) MEAN SEA LEVEL REDUCTION FACTOR IS 0.999811789
 4) CURVE 189.38
 5) MAP COMBINATION FACTOR IS 0.999304822
 6) MAPPING ANGLE AT STA. "TRUST" IS -59°29'22.71"



- SURVEYOR'S NOTES**
- INDICATES RECORD AND MEASURED DATA PER PARCEL MAP 32775, PARCEL MAP NO. 32775, PAR 237/79-84, UNLESS OTHERWISE NOTED.
 - INDICATES FOUND 1" IS AND TAG 3/8" DIA. PEGS PER PARCEL MAP NO. 32775, PAR 237/79-84, UNLESS OTHERWISE NOTED.
 - INDICATES SET 1" IS. 4" 10" IS. AND TAG 3/8" DIA. PEGS PER CG. 310. A MON.
 - SET 1" IS. AND TAG 3/8" DIA. PEGS AT ALL CORNERS UNLESS OTHERWISE NOTED.
 - SET 1" IS. AND TAG 3/8" DIA. PEGS IN TOP OF CURBS AT THE PROLONGATION OF SIDE LOT LINES.
 - MONUMENT THE ROAD RIGHT-OF-WAY OR ROAD EASEMENT LOCATIONS AT ALL E.C.A., E.C.B., P.E.C.A. AND P.E.C.B. UNLESS THE MONUMENTS ARE TO BE IMPROVED AS COVERED BY SECTION 2.5.5.5.
 - ALL MONUMENTS ARE SET AND TAGGED PER REV. CO. ORDINANCE NO. 4618.
 - ALL MONUMENTS SHOWN "TRUST" ARE IN ACCORDANCE WITH THE MONUMENT AGREEMENT FOR THE MAP, UNLESS OTHERWISE NOTED.
 - TRACT NO. 31462-7 CONTAINS 41.62 AC. GROSS.

Oak Ridge by Woodside



Windsor & Viridian Pointe at the Fairways by DR Horton

Location

The appraised properties are generally located north of Oak Valley Parkway, east and west of Tukwet Canyon Parkway, within the City of Beaumont, Riverside County, California.

Legal Description

A complete legal description, which would typically be included in a preliminary title report, was not provided to the appraiser.

Owner(s) of Record

A summary of the various ownership group holdings is provided in the following table.

Physical Status of Assessed & Appraised Properties	
Description	No. Homes/Lots
Completed Single-Family Homes (Assessed*)	
Cherry Blossom at the Fairways (KB Home)	20
Oak Ridge (Woodside)	51
Windsor at the Fairways (DR Horton)	30
Viridian Pointe at the Fairways (DR Horton)	<u>30</u>
<i>Completed Single-Family Homes[^]</i>	131
Completed Single-Family Homes (Appraised)	
Cherry Blossom at the Fairways (KB Home)	74
Oak Ridge (Woodside)	42
Windsor at the Fairways (DR Horton)	25
Viridian Pointe at the Fairways (DR Horton)	<u>36</u>
<i>Completed Single-Family Homes without a complete assessed valuation for structural improvements</i>	177
Single-Family Homes Under Construction	
Oak Ridge (Woodside)	17
Windsor at the Fairways (DR Horton)	<u>9</u>
<i>Under Construction</i>	26
Finished (vacant) lots	
Oak Ridge (Woodside)	<u>38</u>
<i>Finished (vacant) lots</i>	38

* Based on Assessor's 2018/2019 Tax Roll

[^] Assessed Values are relied upon herein and are not the subject of this appraisal

As previously noted, the Assessor's Office records are not current as to ownership and four of the completed homes appraised herein are actually owned by individual homeowners. In fact, of the 74 lots within the Cherry Blossom at the Fairways by KB Home comprising the appraised properties, 72 are reflected on the Assessor's 2018/2019 Tax Roll as being held by the merchant builder; however, as of the date of value (inspection), it appears all 72 homes have transferred to individual homeowners.

Of the 97 lots within the Oak Ridge by Woodside comprising the appraised properties, 41 comprise completed homes (excluding one model home) reflected on the Assessor's 2018/2019 Tax Roll as being held by the merchant builder; however, as of the date of value (inspection), it appears all 41 homes have transferred to individual homeowners.

Finally, of the 70 lots within the Windsor and Viridian Pointe at the Fairways by DR Horton comprising the appraised properties, 60 comprise completed homes reflected on the Assessor’s 2018/2019 Tax Roll as being held by the merchant builder; however, as of the date of value (inspection), it appears all 60 homes have transferred to individual homeowners

Property 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 inflationary 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 supplemental assessments. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the political jurisdiction 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 are located in Tax Rate Area 002-054, which have a cumulative annual tax rate of 1.35694% based on assessed value.

Special Assessments

All of the appraised properties are encumbered by the Special Tax Lien of CFD No. 2016-1. According to the Rate and Method of Apportionment, annual special taxes per residential property are scheduled as follows:

Assigned Special Taxes - Residential Property - CFD No. 2016-1					
Builder	KB Home	Woodside		DR Horton	
Building Size	PA 14 Assigned	PA 16 Assigned		PA 19 Assigned	
	Special Tax	Special Tax		Special Tax	
		Zone 1	Zone 2	Zone 1	Zone 2
≤ 2,300	\$1,440	\$1,830	\$1,440	-	-
2,300 - 2,799	-	\$1,863	\$1,600	\$1,863	\$1,600
2,800 - 3,499	-	\$1,999	\$1,865	\$1,999	\$1,865
≥ 3,499	-	\$2,150	\$2,019	-	-

In addition to the Special Tax above, each Assessor’s parcel is also encumbered by the CFD 2016-1 Services Tax, which equates to \$328.86 per parcel, the San Gorgonio Hospital Measure D (\$55.10 per parcel) and FLD Central Stormwater/Clean water (\$3.76 per parcel), which total \$387.72 per parcel.

Conditions of Title

Based on the significant number of home sales and corresponding diversification of ownership, a preliminary title report encompassing each Assessor’s parcel within the District was not provided for this analysis. It is

assumed there are no adverse conditions on title. The appraiser assumes no negative title restrictions and accepts no responsibility for matters pertaining to title.

Zoning and Entitlements

Zoning: SPA– Specific Plan Area

Purpose: The Specific Plan zoning designation applies to those areas of the City that have an adopted Specific Plan as well as those areas where a Specific Plan will be required at which time a development concept is proposed. Those Specific Plans that were adopted prior to the adoption of this Zoning Ordinance or the currently adopted General Plan have been incorporated herein by reference. Any future Specific Plan or Specific Plan Amendment must be consistent with the adopted General Plan.

The appraised properties are located within the Fairway Canyon master planned community, in the western portion of the city of Beaumont. In total, Fairway Canyon comprises approximately 1,556 acres of land of which 678 acres are zoned for 3,300 residential units, with 46.4 acres of commercial/industrial land uses and the balance set aside for public/quasi-public uses. Fairway Canyon is surrounded by the Tukwet Canyon 18-hole golf course.

Flood Zone

According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM) Panel 06065C0785G, dated August 28, 2008, the subject is located within Zone X (areas of minimal floor hazard).

Earthquake Zone

According to the County of Riverside, the appraised properties are not located within a Fault Zone. According to the Seismic Safety Commission, the subject properties are 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. According to the California Department of Conservation, the subject does not appear to be located within a Landslide and Liquefaction Zone study area.

Easements

The appraiser is not a surveyor nor qualified to determine the exact location of any easements. It is assumed any easements noted in a preliminary title report do not have an impact on the opinion of value set forth in this report. If at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value contained herein.

Site Description

Site Description



Source: AirViews (01/03/2019)

The subject property is CFD No. 2016-1, which is generally located north of Oak Valley Parkway, east and west of Tukwet Canyon Parkway, within the City of Beaumont, Riverside County, and consists of 372 single-family residential lots comprising a portion of the Fairway Canyon master planned community. Of the 372 Assessor’s parcels within the boundaries of CFD No. 2016-1, 131 have a single-family home with a complete assessed value for both land and improvements and are not the subject of this appraisal. Of the 241 Assessor’s parcels comprising the subject of this Appraisal Report, there are 177 completed single-family homes, including one model home, within the boundaries of CFD No. 2016-1 not currently assessed for a complete improvement value by the Riverside County Assessor; as such, a not-less-than estimate of market value for the floor plans constructed within each subdivision was appraised and assigned to each respective Assessor’s parcel within CFD No. 2016-1. Of the 64 remaining Assessor’s parcels, 38 represented vacant, or finished, lots and 26 were under construction with new single-family residential homes for which a finished/improved lot value was assigned.

Topography: Generally level to hillside development

Shape: The individual Assessor’s parcels are generally rectangular in shape and conducive to single-family residential use.

Access, Frontage, Visibility:

The appraised properties have adequate access/frontage to the major surface streets in the Fairway Canyon development, most notably Tukwet Canyon Parkway and Champions Drive. Various interior surface streets provide access to the subject lots, including Mickelson Drive, Smith Avenue, Lyle Lane, Aaron Avenue, Stewart Street, Brewer Drive, Trevor Lane and Michelle Lane. Overall, the accessibility and visibility of the property are considered adequate for residential use. CFD No. 2016-1 is located less than one mile west of Interstate 10, a major transportation route in the Inland Empire, and less than a mile north of the 60 Freeway, a secondary, major transportation route in the region.

Adjacent Uses:

North
East
South
West

Single-family residential development
Single-family residential development
Morongo Golf Club at Tukwet Canyon
Morongo Golf Club at Tukwet Canyon

Utilities:

All public utilities (electricity, gas, water, sewer, telephone) are available to each of the subject lots.

Drainage:

Based on a physical inspection of the appraised properties, it appears drainage is adequate.

Soils:

The appraiser has not been provided a soils report to determine the load bearing capacity of the appraised properties. Based on the existing and surrounding improvements, no adverse subsoil conditions are apparent. The soils appear to be similar to other local parcels that, to the best of our knowledge, have been improved with no adverse effects.

Environmental Issues:

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present, on the appraised properties. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. The value estimate is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

Offsite Improvements:

As of the date of inspection, all off-site improvements (streets, curbs, gutters, sidewalks, streetlights) were in place; however, Woodside reports \$110,000 in remaining in-tract costs, which will be considered herein. According to the

master developer, Argent Management, remains obligated to complete park improvements within the CFD; however, these costs are no longer the obligation of the merchant builders and homeowners cited herein. Thus, no additional costs are considered herein.

Conclusion:

Overall, the appraised properties are deemed functional in terms of size, topography, shape and overall location. There appear to be no unusual or restrictive physical limitations to the appraised properties. The appraised properties are considered physically suitable for residential development.

Subject Photographs



CFD No. 2016-1 – Zone 3 (KB Home)



CFD No. 2016-1 – Zone 3 (KB Home)



CFD No. 2016-1 – Zone 3 (KB Home)



CFD No. 2016-1 – Zone 3 (KB Home)



CFD No. 2016-1 – Zone 3 (KB Home)



CFD No. 2016-1 – Zone 3 (KB Home)



CFD No. 2016-1 – Zone 3 (KB Home)



CFD No. 2016-1 – Zone 3 (KB Home)



CFD No. 2016-1 – Zone 1 (Woodside)



CFD No. 2016-1 – Zone 2 (Woodside)



CFD No. 2016-1 – Zone 2 (Woodside)



CFD No. 2016-1 – Zone 2 (Woodside)



CFD No. 2016-1 – Zone 2 (Woodside)



CFD No. 2016-1 – Zones 1 & 2 (Woodside)



CFD No. 2016-1 – Zones 1 & 2 (Woodside)



CFD No. 2016-1 – Zones 1 & 2 (Woodside)



CFD No. 2016-1 – Zones 1 & 2 (DR Horton)



CFD No. 2016-1 – Zones 1 & 2 (DR Horton)



CFD No. 2016-1 – Zones 1 & 2 (DR Horton)



CFD No. 2016-1 – Zones 1 & 2 (DR Horton)



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CFD No. 2016-1 – Zones 1 & 2 (DR Horton)



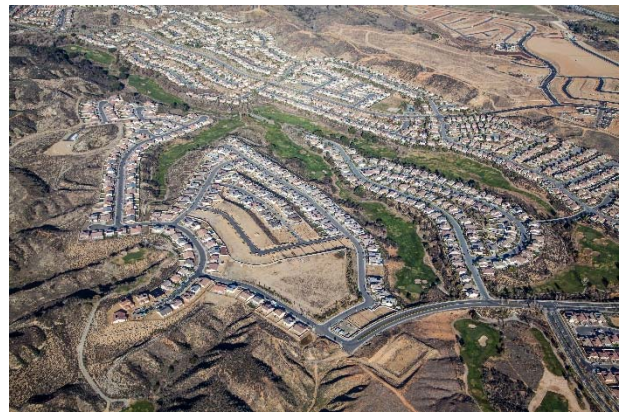
CFD No. 2016-1 – Zones 1 & 2 (DR Horton)



Community Entrance



Aerial Photo (01/03/2019)



Aerial Photo (01/03/2019)

Economic Analysis

Area Analysis – Riverside County

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, Orange 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 over the past several years.

Population Trends							
City	2013	2014	2015	2016	2017	2018	%/Yr (5-year)
Banning	30,380	30,549	30,746	30,967	31,170	31,282	0.6%
Beaumont	40,701	41,920	43,906	45,617	46,730	48,237	3.7%
Blythe	19,382	18,737	18,522	19,008	19,027	19,389	0.0%
Calimesa	7,936	8,036	8,114	8,212	8,567	8,876	2.4%
Canyon Lake	10,617	10,652	10,673	10,728	10,882	11,018	0.8%
Cathedral City	52,743	53,031	53,390	53,842	54,296	54,791	0.8%
Coachella	43,210	44,101	44,486	44,940	45,273	45,635	1.1%
Corona	158,489	160,955	162,396	163,341	166,819	168,574	1.3%
Desert Hot Springs	28,363	28,591	28,900	29,252	29,347	29,742	1.0%
Eastvale	56,928	58,790	59,930	62,147	63,720	64,855	2.8%
Hemet	79,773	80,196	80,439	80,997	82,417	83,166	0.9%
Indian Wells	5,223	5,295	5,407	5,512	5,549	5,574	1.3%
Indio	81,441	82,419	84,009	85,233	86,632	87,883	1.6%
Jurupa Valley	97,808	98,420	99,742	101,412	103,661	106,054	1.7%
Lake Elsinore	56,124	57,488	59,404	61,422	62,487	63,365	2.6%
La Quinta	38,430	38,991	39,323	39,899	40,605	41,204	1.4%
Menifee	82,476	83,968	85,801	87,608	89,552	91,902	2.3%
Moreno Valley	198,479	199,752	201,387	202,621	204,285	207,629	0.9%
Murrieta	106,299	107,254	109,408	110,166	111,793	113,541	1.4%
Norco	27,033	27,006	26,198	26,727	26,799	26,761	-0.2%
Palm Desert	50,014	50,414	50,683	51,250	52,058	52,769	1.1%
Palm Springs	45,463	45,847	46,099	46,534	47,157	47,706	1.0%
Perris	72,002	73,351	74,866	76,070	77,311	77,837	1.6%
Rancho Mirage	17,967	18,076	18,201	18,369	18,579	18,738	0.9%
Riverside	312,973	315,129	317,890	320,226	323,190	325,860	0.8%
San Jacinto	45,627	46,014	46,462	47,085	47,560	48,146	1.1%
Temecula	105,359	106,749	109,144	110,536	112,040	113,181	1.5%
Wildomar	33,534	34,136	34,751	35,270	35,882	36,287	1.6%
Unincorporated	361,015	365,395	367,618	371,726	379,252	385,953	1.4%
Total	2,265,789	2,291,262	2,317,895	2,346,717	2,382,640	2,415,955	1.3%

Source: California Department of Finance

Riverside 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 325,000. 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

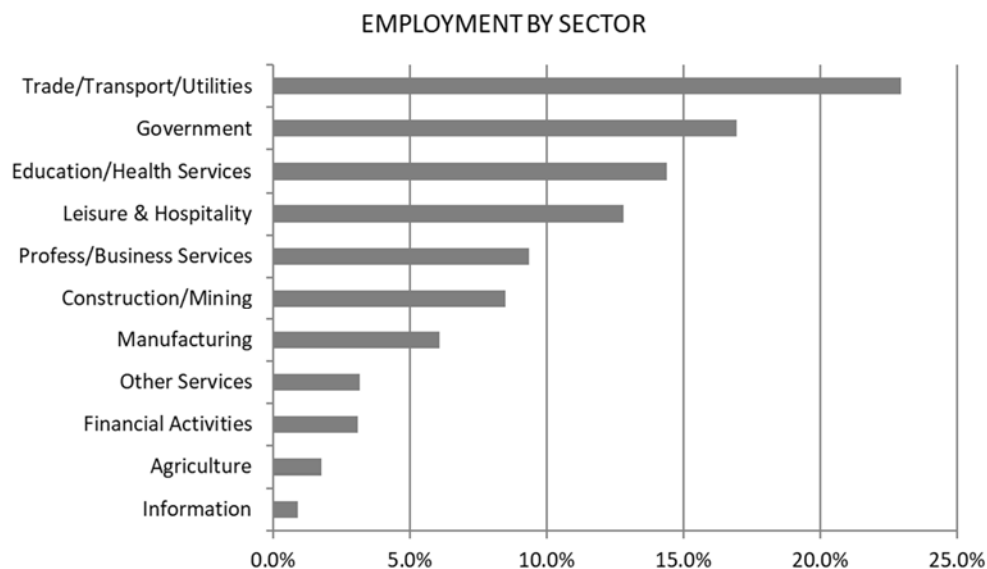
The California Employment Development Department has reported the following employment data for Riverside County over the past few years.

EMPLOYMENT TRENDS						
	2012	2013	2014	2015	2016	2017
Labor Force	992,400	1,000,200	1,029,100	1,053,600	1,062,700	1,082,200
Employment	888,700	913,200	958,500	992,200	1,006,600	1,036,200
Job Growth	21,500	24,500	45,300	33,700	14,400	29,600
Unemployment Rate	10.4%	8.7%	6.9%	5.8%	5.3%	4.3%

Source: California Employment Development Department

The unemployment rate in Riverside County was 4.3% in December 2017, which is comparable to the unemployment rates for California (4.2%) and the U.S. (3.9%). Most areas within the state and nation, including Riverside County, saw declining unemployment rates from 2004 through 2006, increases from 2007 to 2010, and declines from 2011-2017.

The following chart indicates the percentage of total employment for each sector within the 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.

Top Employers - Riverside County			
Employer	Location	Description	No. of Employees
County of Riverside	Countywide	County Government	22,038
March Air Reserve Base	March ARB	Military Reserve Base	9,000
University of California, Riverside	Riverside	University	8,829
Kaiser Permanente Riverside Medical Center	Riverside	Hospital	5,500
Corona-Norco Unified School District	Corona	School District	5,478
Pechanga Resort & Casino	Temecula	Resort/Casino	4,750
Riverside Unified School District	Riverside	School District	4,200
Hemet Unified School District	Hemet	School District	4,058
Riverside University Health System Medical Center	Moreno Valley	Hospital	3,965
Morongo Casino, Resort & Spa	Cabazon	Resort/Casino	3,800
Eisenhower Medical Center	Rancho Mirage	Hospital	3,700
Moreno Valley Unified School District	Moreno Valley	School District	3,561
Palm Springs Unified School District	Palm Springs	School District	3,123
Temecula Valley Unified School District	Temecula	School District	3,000
Desert Sands Unified School District	La Quinta	School District	2,677
Lake Elsinore Unified School District	Lake Elsinore	School District	2,634
City of Riverside	Riverside	City Government	2,500
Riverside Community College District	Riverside	Community College District	2,315
JW Marriott Desert Springs Resort & Spa	Palm Desert	Resort & Spa	2,311
Agua Caliente Band of Cahuilla Indians	Palm Springs	Tribal Government / Casinos	2,289
Desert Regional Medical Center	Palm Springs	Hospital	2,237
Jurupa Unified School District	Jurupa Valley	School District	2,233
Murrieta Valley Unified School District	Murrieta	School District	2,230
Riverside Community Hospital	Riverside	Hospital	2,200
Abbot Vascular	Temecula	Medical/Surgical Instruments	2,000
Coachella Valley Unified School District	Thermal	School District	2,000
Alvord Unified School District	Riverside	School District	1,915
Riverside County Office of Education	Riverside	Education	1,734
Naval Surface Warfare Center	Norco	Naval Weapons Research	1,570
Mt. San Jacinto College	San Jacinto	Community College District	1,466
La Quinta Resort & Club	La Quinta	Resort	1,450
Corona Regional Medical Center	Corona	Hospital	1,113
Fantasy Springs Resort Casino	Indio	Resort Casino	1,100
Ironwood State Prison	Blythe	Level I and III Prison	1,055
California Rehabilitation Center	Norco	Level II Prison	1,013

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 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 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. The U.S. Census Bureau estimates a median household income of \$60,807 for Riverside County in the year 2017 (most recent data available), which was lower than the state of California's median income of \$67,169.

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 east-west 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.

The 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; however, the nearest major airport to the appraised properties is Ontario International Airport (San Bernardino County), just northwest of Riverside County.

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. Recreational activities are located throughout the county, including Anza-Borrego Desert State Park, Cleveland National Forest, Diamond Valley Lake and Skinner Reservoir/Lake Skinner Park.

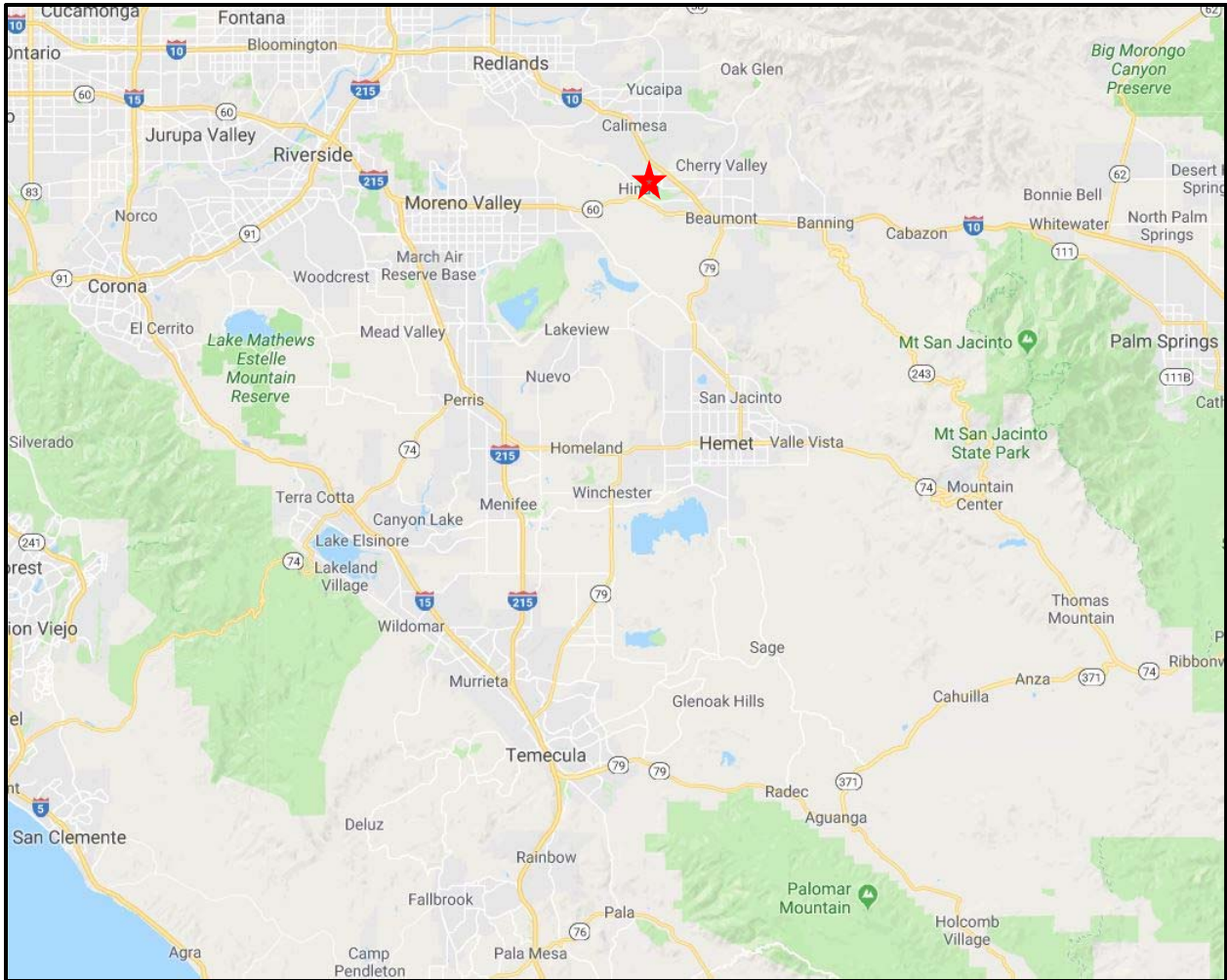
There are a number of Indian Gaming Casinos in Riverside County. Amongst the largest is Pechanga Resort & Casino, Morongo Casino Resort and Spa, Soboba Casino, Agua Caliente Casino Resort and Spa, Spotlight 29 Casino, Augustine Casino and Spa Resort Casino.

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 Marcos 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, Orange and San Diego Counties. 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, the 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 Appraisal 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 within the city of Beaumont, which is located in Riverside County, within the Inland Empire region of Southern California. It is bordered on the north by the unincorporated community of Cherry Valley, on the east by the City of Banning, on the south by the City of San Jacinto and on the west by the City of Calimesa. It has a land area of 30.9 square miles and an elevation of 2,500-3,000 feet above sea level. It is situated at the peak of the San Gorgonio Pass between the cities of San Bernardino and Palm Springs.

Demographics

According to the California Department of Finance, the population in Beaumont in the year 2000 was 11,384 and grew to 36,877 by 2010, which is an increase of 224%, or an average of 22% per year. The population of Beaumont as of January 2018 is estimated at just over 48,237. This represents a 31% increase since 2010, with an average growth rate of 3.9%. Beaumont has had the highest rate of growth in Riverside County over the past five years with an average annual increase of 3.7%. Population estimates over this period are presented below.

Population Trends							
	2013	2014	2015	2016	2017	2018	%/Yr
Beaumont	40,701	41,920	43,906	45,617	46,730	48,237	3.7%

Source: California Department of Finance

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median 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 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), the median household income in the City of Beaumont was \$68,369, which was higher than the state of California’s median income of \$63,783.

Employment & Economy

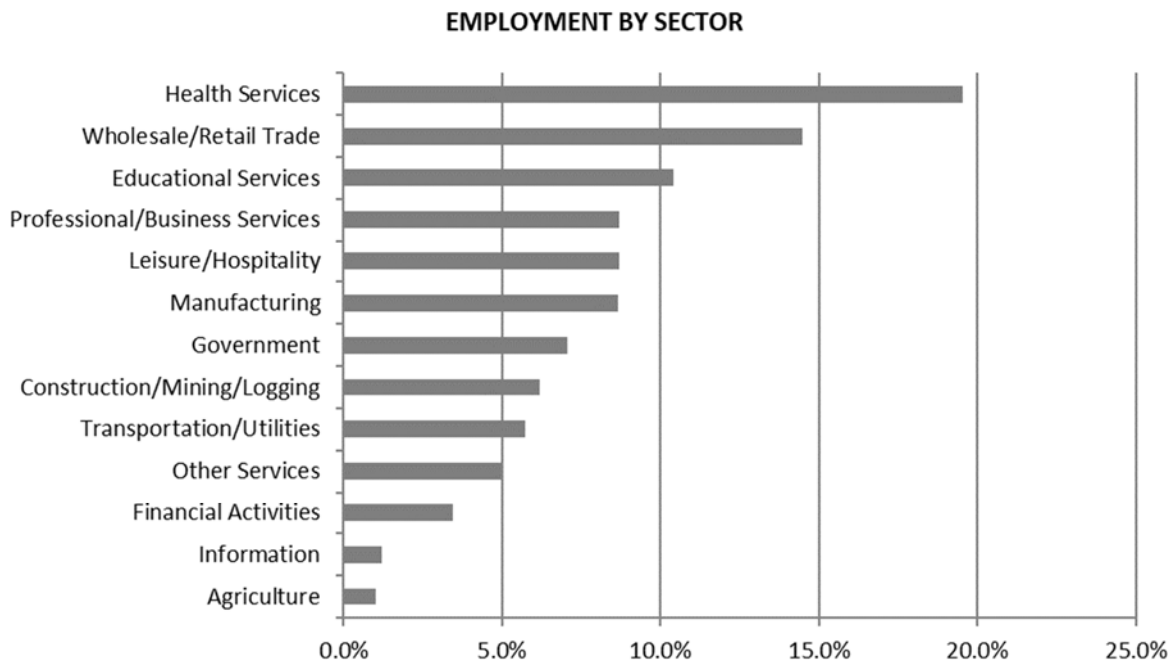
The California Employment Development Department has reported the following employment data for the City of Beaumont over the past several years.

Employment Trends

	2012	2013	2014	2015	2016	2017
Labor Force	17,300	17,800	19,000	20,000	20,800	21,400
Employment	16,200	16,900	18,200	19,300	19,900	20,700
Job Growth	500	700	1,300	1,100	600	800
Unemployment Rate	6.4%	5.1%	4.2%	3.5%	4.3%	3.3%

Source: California Employment Development Department

The unemployment rate in Beaumont was 3.6% in July 2018, which was lower than the rates for Riverside County at 4.7% and for California at 4.4%. The following chart indicates the percentage of total employment for each sector within the city.



Source: US Census Bureau, 2012-2016 American Community Survey 5-Year Estimates

As illustrated in the chart above, the City's largest employment sector is Health Care and Social Assistance, which represents nearly 20% of all employment. The next largest employment sectors are Wholesale/Retail Trade, which represents 14.5% of jobs and Educational Services which accounts for just over 10% of the total employment.

Access and Linkages

Since the San Gorgonio Pass was discovered in 1853, it has been at the center of transportation in the region, beginning with early trails, then railroads, highways and interstates. Today, Beaumont is still a transportation hub with major routes extending in every direction. Three major interstates/highways intersect at what is known as the Beaumont Avenue interchange: Interstate 10, State Route 60 and State Route 79.

Interstate 10 is the primary transportation corridor through the city, with access to Santa Monica and the Pacific Ocean to the west and eastward to the low desert cities of Palm Springs and Indio, to the Southwest regions in Arizona and New Mexico, terminating in Jacksonville Florida on the east coast. The 60 Freeway is a major east/west transportation route linking Interstate 5 in downtown Los Angeles with Interstate 10 in

Beaumont. The 60 Freeway provides direct access to most of the north/south freeways in the greater Los Angeles area, including the 215, 15, 91, 57, 605, 710 and 5 freeways. State Route 79 provides access to Hemet, Winchester and Temecula to the south. To the north, State Route 79 is Beaumont Avenue and provides access to the neighboring community of Cherry Glen and on to the scenic apple country of Oak Glen.

CFD No. 2016-1 is located north of Oak Valley Parkway, east and west of Tukwet Canyon Parkway, which connects the CFD with Interstate 10 less than one mile to the east. Interstate 10 links the subject neighborhood with the 60 Freeway, less than one mile to the south, and Beaumont Avenue (Highway 79). Highway 79 is a primary connector route to the cities of San Jacinto, Hemet and the unincorporated community of Winchester and the French Valley area of south Riverside County.

Public transit is available through the City of Beaumont Transit System, which also operates the Pass Transit System in collaboration with the City of Banning Transit. The system offers eight fixed routes and a commuter link to Calimesa, the San Bernardino Metrolink and the Loma Linda Veteran's Hospital. Additional services include Dial-A-Ride and curb-to-curb service for ADA certified and seniors 65 years and older within Beaumont and parts of Cherry Valley.

In terms of air travel, there are several proximate airports available to residents of Beaumont. Palm Springs International Airport is the nearest major airport, located approximately 30 miles to the east and the LA/Ontario International Airport is located approximately 40 miles west in Ontario. Six additional airports offering commercial international and/or domestic flights are located within 100 miles. Local airports include the Banning Municipal Airport located less than 10 miles to the east; the Redlands Municipal Airport approximately 18 miles northwest; the Hemet-Ryan Airport 18 miles to the south; and several others in San Bernardino, Riverside and Colton, all within approximately 30 miles of Beaumont.

Recreation & Community Facilities

The City of Beaumont offers adequate recreational opportunities and community facilities, with additional services accessible within 20-30 miles (30-40-minute driving time) in the larger cities of San Bernardino, Riverside and Moreno Valley. Beaumont hosts a number of family-oriented events throughout the year. The largest event is the Cherry Festival, which celebrated its 100th anniversary in May/June 2018. It is a four-day community festival with food and drinks, games, music, entertainment, rides and booths.

Beaumont offers two championship golf courses: Oak Valley Golf Club and Morongo Golf Club at Tukwet Canyon, which was formerly owned and operated by the PGA. Antique shops along 6th Street have long been a well-known attraction in Beaumont, providing a unique shopping experience. The nearby Cabazon Outlet Mall provides additional shopping, featuring 65,000 square feet of shops, representing 18 specialty retailers.

The nearest hospital is the San Geronio Memorial Hospital located just outside the Beaumont city limits, in Banning. The Beaver Medical Group, with offices throughout the Inland Empire, offers primary care, urgent care and laboratory services at its Beaumont location.

The city is served by seven elementary schools, two middle schools, two high schools and an adult school. Secondary education is accessible within approximately five to 20 miles in nearby communities, including Mt. Jacinto Community College with the San Geronio Pass Campus located in Banning and the main campus located in San Jacinto; Crafton Hills College in Yucaipa; Moreno Valley College in Moreno Valley; and University of Redlands in Redlands.

The Beaumont Civic Center houses two memorials. The Veteran's Memorial honors local veterans who served from World War I through present-day operations. The Public Safety Memorial honors police officers

and firefighters who died in the line of duty or served in the community during their lifetime. In addition, the Centennial Memorial Bridge, located off Oak Valley Parkway, honors individuals who made significant contributions to the community within its first 100 years.

Land Uses

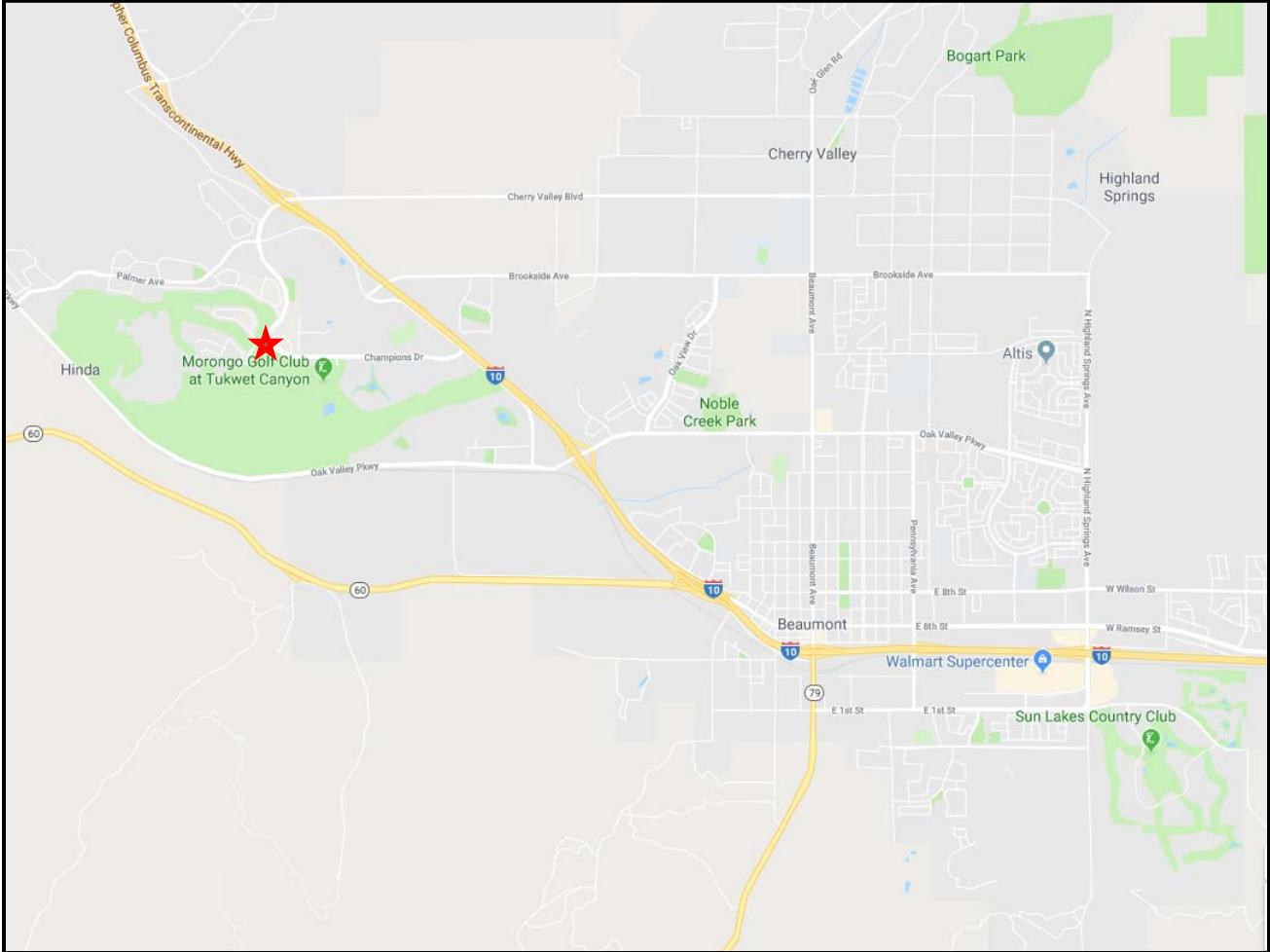
Land uses in the immediate area include primarily residential, with supporting commercial services located proximate to Interstate 10.

A neighborhood retail center anchored by Stater Bros. Market is located at the northeast corner of Oak Valley Parkway and Beaumont Avenue. A Food 4 Less anchored retail center is located at the southeast corner of North Highland Springs Avenue and East 6th Street. Just south of Interstate 10 at North Highland Springs Avenue is a high concentration of retail development, including Best Buy, Ross Dress for Less, Bed Bath & Beyond, The Home Depot and Wal-Mart, among other retailers. Just east of Best Buy, in the city of Banning, is Sun Lakes Village Shopping Center, which is anchored by Hobby Lobby, Rite Aid and Albertsons.

Outlook and Conclusions

In conclusion, the subject's immediate neighborhood is growing in residential uses. The area is considered to be a middle-income neighborhood with adequate support facilities nearby. The overall condition and quality of the neighborhood is rated as above average for the area, with the Fairway Canyon master planned community built around the Morongo Golf Club at Tukwet Canyon golf course and complimentary open space. The subject property is considered to have average transportation characteristics, including proximity to major neighborhood thoroughfares and freeway access. Overall, the subject is expected to perform reasonably well over the long term.

Surrounding Area Map



Residential Market

The subject property is located within the Fairway Canyon Specific Plan, in the western portion of the city of Beaumont, Riverside County. The neighborhood is characterized as a growing suburban area. 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.

In this analysis of the housing market, we will analyze market trends within Riverside County and, more specifically, the city of Beaumont market area.

New Home Pricing

The following table depicts average sale prices for active single-family residential projects in Beaumont, including the subject's active subdivisions:

Project	Community	Developer	Average Price	Avg. Home Size (SF)	Average Price/SF
Abrio	Beaumont	Pardee Homes	\$414,113	2,768	\$149.63
Avia at Olivewood	Beaumont	William Lyon Homes	\$345,400	1,765	\$195.69
Beacon	Beaumont	Pardee Homes	\$483,000	3,325	\$145.26
Cascade	Beaumont	Pardee Homes	\$315,250	1,760	\$179.17
Capella at Olivewood	Beaumont	William Lyon Homes	\$363,900	2,034	\$178.95
Daybreak	Beaumont	Pardee Homes	\$377,988	2,245	\$168.41
Elara	Beaumont	Pardee Homes	\$313,750	1,865	\$168.28
Lugano at Olivewood	Beaumont	William Lyon Homes	\$396,400	2,418	\$163.94
Oak Ridge at The Fairways*	Beaumont	Woodside Homes	\$419,340	2,973	\$141.07
Provence at Olivewood	Beaumont	William Lyon Homes	\$433,400	2,834	\$152.96
Viridian Pointe at The Fairways*	Beaumont	Express Homes (DR Horton)	\$376,490	2,561	\$147.04
Windsor at the Fairways*	Beaumont	D.R. Horton	\$428,740	2,882	\$148.79
			<i>Minimum</i>	1,760	\$141.07
			<i>Maximum</i>	3,325	\$195.69
			<i>Average</i>	2,452	\$161.60

* subject property

Cherry Blossom at the Fairways, by KB Home, sold out November 28, 2018, 21 months after opening (February 11, 2017). With 94 homes, Cherry Blossom at the Fairways averaged 4.47 home sales per month. Oak Ridge at The Fairways opened May 9, 2016. Of the 148 lots within the subdivision, 101 homes have sold, suggesting an average of approximately three homes per month. DR Horton/Express Homes marketed two projects at The Fairways: Viridian Pointe and Windsor, with 66 lots and 64 lots, respectively. Since opening May 27, 2017, both projects are nearly sold out – the builder averaged approximately three home sales per month.

As shown by the table, new home pricing in Beaumont is generally consistent among the active projects. The average sale price amongst the subject neighborhoods is \$408,190, which coincides with an average square footage of 2,805 square feet, or \$145.63 per square foot.

Ability to Pay

In this section, we will examine the ability to pay among prospective buyers for a hypothetical home size of 2,800 square feet cited above, with a corresponding price point of \$408,000. First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rates of

4.50%, 360 monthly payments, and a 40% ratio for the housing costs as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). As alluded to above, property tax payments are accounted for in the analysis. Ad valorem taxes are 1.35694% of assessed value.

As previously discussed, the appraised properties are encumbered by the Special Tax Lien of CFD No. 2016-1. For purposes of this analysis, the maximum annual Special Tax assigned to Zone 1 for the corresponding home size (\$1,999) will be utilized herein, along with the additional direct charges of \$387.72 per year.

Given the discussion above, the following table shows the estimate of the annual household income that would be required to afford homes priced at \$408,000:

Income Required - Ability to Pay	
Home Price	\$ 408,000
Loan % of Price (Loan to Value)	80%
Loan Amount	\$ 326,400
Interest Rate	4.50%
Mortgage Payment	\$1,642
Monthly Ad Valorem Taxes	\$461
Monthly CFD No. 2016-1 Special Taxes	\$167
Monthly Direct Charges	\$32
Total Monthly Obligation	\$2,302
Mortgage Payment as % of Income	40%
Implied Monthly Income	\$5,755
Annual Income	\$69,057

As shown above, the average income requirement for a new home priced at \$408,000 is approximately \$69,000, which is generally consistent with, the median income for Beaumont (\$68,369) presented in the previous section.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as vacant, and as improved. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

As Vacant

Legal Permissibility

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. 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.

Physical Possibility

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 Fairway Canyon 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 Fairway Canyon provides support that soils are adequate for development.

In summary, single-family residential uses are considered physically possible.

Financial Feasibility

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, 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 as improved exceeds its value as vacant less demolition. The highest and best use of the subject as improved is for completion of the last remaining single-family homes.

Probable Buyers

The probable buyer of the subject (as 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.

A **discounted cash flow analysis** is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

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.

Market Valuation – Completed Single-Family Homes

We begin the valuation by analyzing the market values of the smallest floor plan within each subdivision for which there are completed homes without complete assessed improvement values. This analysis is a not-less-than estimate of market value, as the analysis is based on the smallest marketed floor plan within each active subdivision. To do so, we will employ the sales comparison approach to value.

The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace. In the sales comparison approach, the market value of the subject lots will be estimated by a comparison to similar properties that have recently sold, are listed for sale or are under contract.

This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 14th 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 the smallest floor plan offered within the four subdivisions comprising CFD No. 2016-1, as of the date of value, January 1, 2019, to apply to those lots with completed single-family homes *without* a complete assessed value for both land and improvements (defined as a total assessed value above \$300,000). The objective of the analyses is to estimate the base price of the smallest floor plan, net of incentives, upgrades and lot premiums. Base price pertains to the typical (median) lot size within the subject. The sales comparison approach to value is employed in order to establish the market values for each floor plan.

A summary of the smallest floor plan within each neighborhood is provided below.

Oak Ridge by Woodside

Plan	Living Area (SF)	Stories	Bedrooms	Bathrooms	Garage Size*
1	2,276	1	4	2.5	2
2	2,402	1	3	2.5	3
3	2,888	2	3+Den	2.5	2+
4	3,120	2	4+Den	3	3-T
5	3,669	2	5+Den	3	3+

* T = tandem; + = workshop area

Cherry Blossom at the Fairways by KB Home

Plan	Living Area (SF)	Stories	Bedrooms	Bathrooms	Garage Size*
1	1,557	1	3	2	2
2	1,718	1	3	2	2
3	1,811	1	4	2	2
4	2,278	2	3	2.5	2
5	1,904	2	4	2.5	2

Windsor & Viridian Pointe at the Fairways by DR Horton

Plan	Living Area (SF)	Stories	Bedrooms	Bathrooms	Garage Size
2639	2,639	1	4	3	3
2861	2,861	2	5	3	3
3124	3,124	2	5	4	3
2412	2,412	1	3	2	2
2508	2,508	2	4	3	2
2709	2,709	2	3	3.5	2

In order to estimate not-less-than market values for the various floor plans offered within each of the four neighborhoods comprising CFD No. 2016-1, a summary of historical home sales, per square foot, within each subdivision were provided for consideration, which are summarized as follows:

	Floor Plan	Minimum/SF	Maximum/SF	Average/SF
Woodside	2276	\$161.03	\$179.04	\$167.40
	2402	\$149.88	\$188.18	\$168.94
	2888	\$127.08	\$164.30	\$145.35
	3120	\$121.79	\$158.65	\$141.82
	3669	\$120.47	\$162.17	\$136.77
DR Horton <i>Windsor</i>	2639	\$139.45	\$162.56	\$151.52
	2861	\$142.96	\$160.43	\$151.73
	3124	\$137.16	\$165.49	\$147.94
<i>Viridian Pointe</i>	2412	\$143.24	\$164.39	\$150.12
	2508	\$136.56	\$156.70	\$143.65
	2709	\$136.77	\$151.35	\$144.89
KB Home	1557	\$205.52	\$236.99	\$219.18
	1718	\$177.53	\$206.05	\$192.88
	1811	\$181.12	\$215.35	\$192.86
	2278	\$153.64	\$170.98	\$161.90
	1904	\$171.22	\$182.51	\$177.38

Discussion of Adjustments

In order to estimate the not-less-than market values for the subjects' floor plans, the comparable transactions were analyzed with regard to categories that affect market value. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the factors require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. An analysis involving each of these factors and the value conclusion for each unit follows.

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.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). The comparables represent fee simple estate transactions; therefore, adjustments are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to consider financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No adjustments were required for this factor.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding

The comparables did not reportedly involve any non-market or atypical conditions of sale. Consideration for this factor does not apply.

Market Conditions (Date of Sale, Phase Adjustment)

The market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a neighborhood, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

New home pricing has been relatively stable in the subject's market area during the past year; thus, no adjustments are necessary based on the most recent sales within CFD No. 2016-1.

Location

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. All the comparables are located within the respective subject subdivisions; thus, no consideration is necessary.

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 consideration.

Design and Appeal/Quality of Construction

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. The comparables are similar to the subject in regard to design and appeal.

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. In terms of quality of construction, the subject represents good construction quality. All of the comparable sales feature similar construction quality and do not require adjustments.

Age/Condition

All of the comparables represent sales of new homes; therefore, an adjustment for age/condition is not warranted.

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 consideration is necessary.

Conclusion of Floor Plan Values

As shown at the beginning of this section, the recent and historical sales within the subject subdivisions suggest a market value per square foot between \$120 and \$237 price per square foot, all else being equal.

To restate, a survey of the active subdivisions within the Beaumont market area is presented below:

Project	Community	Developer	Average Price	Avg. Home Size (SF)	Average Price/SF
Abrio	Beaumont	Pardee Homes	\$414,113	2,768	\$149.63
Avia at Olivewood	Beaumont	William Lyon Homes	\$345,400	1,765	\$195.69
Beacon	Beaumont	Pardee Homes	\$483,000	3,325	\$145.26
Cascade	Beaumont	Pardee Homes	\$315,250	1,760	\$179.17
Capella at Olivewood	Beaumont	William Lyon Homes	\$363,900	2,034	\$178.95
Daybreak	Beaumont	Pardee Homes	\$377,988	2,245	\$168.41
Elara	Beaumont	Pardee Homes	\$313,750	1,865	\$168.28
Lugano at Olivewood	Beaumont	William Lyon Homes	\$396,400	2,418	\$163.94
Oak Ridge at The Fairways*	Beaumont	Woodside Homes	\$419,340	2,973	\$141.07
Provence at Olivewood	Beaumont	William Lyon Homes	\$433,400	2,834	\$152.96
Viridian Pointe at The Fairways*	Beaumont	Express Homes (DR Horton)	\$376,490	2,561	\$147.04
Windsor at the Fairways*	Beaumont	D.R. Horton	\$428,740	2,882	\$148.79
		<i>Minimum</i>	\$313,750	1,760	\$141.07
		<i>Maximum</i>	\$483,000	3,325	\$195.69
		<i>Average</i>	\$388,981	2,452	\$161.60

* subject property

Therefore, the not-less-than market value conclusions for the smallest floor plans within each of the projects developed within CFD No. 2016-1 are summarized in the table below.

Floor Plan Conclusions

Cherry Blossom at the Fairways by KB Home

Plan	Living Area (SF)	Market Value / SF	Conclusion of Not-Less-Than Value
1	1,557	\$195	\$300,000

Oak Ridge by Woodside

Plan	Living Area (SF)	Market Value / SF	Conclusion of Not-Less-Than Value
1	2,276	\$162	\$370,000

Windsor & Viridian Pointe at the Fairways by DR Horton

Plan	Living Area (SF)	Market Value / SF	Conclusion of Not-Less-Than Value
W-2639	2,639	\$140	\$370,000
V-2412	2,412	\$144	\$350,000

The estimates of not-less than market value will be assigned to each of the 177 respective completed single-family homes within CFD No. 2016-1 not currently reflecting an assessed improvement value, presented in the Addenda to this Appraisal Report.

Market Valuation – Single-Family Lots

In this section of the Appraisal Report, we will utilize the extraction technique to estimate the market value of the subject's 64 remaining improved lots, including 26 lots with homes under construction. As a check of reasonableness, the sales comparison approach will also be employed. 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.

Extraction Analysis

The extraction (residual) analysis takes into account home prices, direct and indirect construction costs, accrued depreciation and developer's incentive in order to arrive at an estimate of lot value. The elements of the extraction technique are discussed below.

Revenue

As previously noted, the average sale price amongst the subject neighborhoods is \$408,000, which coincides with an average square footage of approximately 2,800 square feet, which we will utilize for this analysis.

Expense Projections

As part of an ongoing effort to assemble market information, the table below reflects surveys 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	G & A % of Rev	Mkt & Sales % of Rev	Profit % of Rev
Regional	2018	60	Average	2,179	4,775	\$69.50	N/Av	N/Av	N/Av	N/Av	N/Av
Regional	2017	18	Average	2,736	8,365	\$72.91	\$10.94	15%	3.0%	1.0%	35.0%
Local	2016	32	Good	2,614	5,937	\$72.46	\$8.79	12%	2.0%	5.1%	8.8%
Local	2016	35	Avg	1,946	3,825	\$70.73	\$12.63	18%	3.0%	3.5%	9.7%
Local	2016	29	Avg	2,273	5,325	\$73.98	\$21.45	29%	2.5%	4.4%	15.6%
Local	2015	35	Avg	1,829	2,000	\$92.28	N/Av	N/Av	1.0%	3.0%	N/Av
Regional	2015	32	Good	2,234	6,709	\$75.95	\$10.36	14%	5.0%	4.0%	11.6%
Regional	2015	31	Avg/G	2,450	5,000	\$64.97	\$4.08	6%	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
Local	2015	8	Avg	2,250	8,358	\$89.25	\$6.01	7%	N/Av	5.4%	18.8%
Local	2014	19	Good	2,891	8,772	\$68.50	\$8.88	13%	N/Av	4.0%	18.0%

Information from the survey above will contribute to the estimate of development expenses classified below.

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's market area is 5.0% to 6.5%. A figure of 6.0%, or 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 quality of product line constructed and larger typical lot sizes, a direct cost estimate of \$70 per square foot is applied.

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 8% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 12% is considered reasonable for the subject.

Building Permits and Fees

Based on information from the City of Beaumont (Development Related Fee Schedule), building permits are estimated at \$5,000 per home.

Accrued Depreciation

For new construction on the subject, 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)
- Location
- 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.). Based on the preceding discussion and developer surveys, we have concluded an estimate of 10% for developer’s incentive.

Conclusion

The estimates of finished lot value via the extraction analysis are presented below.

Extraction Analysis - 2,800 SF Home		
Revenue		
Average Floor Plan Size	2,800 SF	
Typical Home Price (Total Consideration)		\$408,000
Expense Projections		
G & A Cost @	3.0% of Retail Value	\$12,240
Marketing/Sales @	6.0% of Retail Value	\$24,480
Average Direct Costs @	\$70.00 /SF	\$196,000
Indirect Cost @	12.0% of Direct Cost	\$23,520
Building Permit	\$5,000 per lot	\$5,000
Developer's Incentive	10% of home price	\$40,800
		\$302,040
Residual Lot Value		\$105,960
		Rd. \$106,000



Sales Comparison Approach

As a supporting indicator of improved lot value for the appraised property, the sales comparison approach will also be employed. This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 14th 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 subject property. 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).

Below, we have arrayed comparable sales that have occurred in the Riverside County market area. The summary table is 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 to the unimproved transactions).

Comparable Sale Summary								
No.	Location	Buyer	Sale Date	Sale Price	No. of Lots	Price Per Lot	Typical Lot Size	Lot Dev. Status
1	Creekside Subdivision S/O Olive Avenue, N/O Salt Creek Channel Winchester, Riverside County	KB Home Coastal, Inc.	Dec-17	\$6,200,000	112	\$55,357	6,000	Nearly Finished Lots
2	Turtle Ranch SEC Thompson Road and Pourroy Road Winchester, Riverside County	KB Home Coastal, Inc.	Sep-17	\$2,150,000	51	\$42,157	10,000	Unimproved Lots
3	Murrieta 64 Washington Avenue Murrieta, Riverside County	KB Home Coastal, Inc.	Aug-17	\$5,525,000	64	\$86,328	3,200	Unimproved Lots
4	McKenna Pointe Machado Street, S/O Lakeshore Drive Lake Elsinore, Riverside County	Western Pacific Housing, Inc.	Feb-17	\$5,700,000	81	\$70,370	8,500	Blue Top Lots
5	Spencer's Crossing (Tract 32290-1) N/O Baxter Rd., W/O Spencer's Crossing Pky Murrieta, Riverside County	Brookfield Residential	Dec-16	\$6,811,063	82	\$83,062	8,400	Nearly Finished Lots

Bulk Lot Sale Profile

Sale No. 1

Property Identification

Project Name	Creekside
Location	S/O Olive Ave., N/O Salt Creek Channel
APN	461-230-001 thru -004; et al
City	Winchester
County	Riverside

Sale Data

Grantor	Lansing Stone Star, LLC.
Grantee	KB Home Coastal Inc.
Sale Date	12/19/2017
Deed Book Page	2017-0547838
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$6,200,000

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	112
Development Status at Sale	Nearly Finished Lots
Typical Lot Size	6,000 SF

Indicators (per Lot)

Sale Price	\$ 55,357
Costs to Complete (Dev. + Fees)	<u>\$ 58,000</u>
Finished Lot Cost	\$ 113,357

Remarks

This property is the recent sale of 112 nearly finished lots within the Creekside subdivision in Winchester, Riverside County. According to the marketing brochure, the costs to complete the lots is \$58,000, inclusive of \$26,000 in impact fees, which is net of \$26,000 in CFD proceeds.

Property Identification

Project Name	Turtle Ranch
Location	SEC Thompson Rd. and Pourroy Rd.
APN	964-010-001
City	Winchester
County	Riverside

Sale Data

Grantor	Javin Investments Sp. Z. o.o.
Grantee	KB Home Coastal Inc.
Sale Date	09/01/2017
Deed Book Page	2017-0389569
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$2,150,000

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	51
Development Status at Sale	Unimproved Lots
Typical Lot Size	10,000 SF

Indicators (per Lot)

Sale Price	\$ 42,157
Costs to Complete (Dev. + Fees)	<u>\$ 100,000</u>
Finished Lot Cost	\$ 142,157

Remarks

This property is the September 2017 sale of 51 unimproved lots comprising the proposed Turtle Ranch subdivision in Winchester, Riverside County. According to the marketing brochure, the costs to complete the lots is \$100,000, inclusive of \$35,000 in impact fees, which is net of the Temecula Valley Unified School District CFD proceeds.

Property Identification

Project Name	Murrieta 64
Location	Washington Ave. at Fullerton Rd.
APN	906-040-096
City	Murrieta
County	Riverside

Sale Data

Grantor	Harding Square LLC
Grantee	KB Home Coastal Inc.
Sale Date	08/29/2017
Deed Book Page	2017-0367247
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$5,525,000

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	64
Development Status at Sale	Unimproved Lots
Typical Lot Size	3,200 SF

Indicators (per Lot)

Sale Price	\$ 86,328
Costs to Complete (Dev. + Fees)	<u>\$ 98,665</u>
Finished Lot Cost	\$ 184,993

Remarks

This property is the 2017 acquisition of 64 unimproved lots in Murrieta, Riverside County, proximate to the 15 freeway. According to a representative of the buyer, the finishing costs are \$98,665 per lot, indicating a finished lot value of \$184,993. The buyer is participating in an Assessment District to finance the completion of certain public improvements of approximately \$25,512 per lot.

Bulk Lot Sale Profile

Sale No. 4

Property Identification

Project Name	McKenna Pointe
Location	Machado St., S/O Lakeshore Dr.
APN	379-150-002, -041, -042, -043, -048 and -050
City	Lake Elsinore
County	Riverside

Sale Data

Grantor	Sam-McKenna LLC
Grantee	Western Pacific Housing, Inc. (d/b/a D.R. Horton, Inc.)
Sale Date	02/09/2017
Deed Book Page	2017-0147979
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$5,700,000

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	81
Development Status at Sale	Blue Top Lots
Typical Lot Size	8,500 SF

Indicators (per Lot)

Sale Price	\$ 70,370
Costs to Complete (Dev. + Fees)	<u>\$ 58,130</u>
Finished Lot Cost	\$ 128,500

Remarks

This property is the 2017 sale of 81 blue top lots in Lake Elsinore, Riverside County. According to a representative of the seller, the finishing costs were \$58,130 per lot, indicating a finished lot value of \$128,500. The lots are now being marketed with homes under the McKenna Pointe subdivision.

Property Identification

Project Name	Spencer's Crossing (Tract 32290-1)
Location	N/O Baxter Rd., W/O Spencer's Crossing Pky.
APN	480-830-001 through 480-832-013
City	Murrieta
County	Riverside

Sale Data

Grantor	Riverside Mitland 03
Grantee	Brookfield Juniper LLC
Sale Date	12/09/2016
Deed Book Page	N/A
Property Rights Conveyed	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$6,811,063

Land Data

Zoning	Single-family
Topography	Generally level
Utilities	All available
Number of Lots	82
Development Status at Sale	Nearly Finished Lots
Typical Lot Size	8,400 SF

Indicators (per Lot)

Sale Price	\$ 83,062
Costs to Complete (Dev. + Fees)	<u>\$ 9,271</u>
Finished Lot Cost	\$ 92,333

Remarks

This comparable is the December 2016 sale of 82 lots within the Spencer's Crossing master planned community. The buyer, Brookfield Residential, acquired the nearly finished lots and is marketing the Juniper subdivision with homes ranging from 3,212 to 4,091 square feet. This project is located within the Menifee Union School District.

Adjustments and Conclusion

The comparable transactions are adjusted based on the profile of the subject property with regard to categories that affect market value. For certain adjustments such as site development cost, permits and fees and Special Taxes, adjustments are made using actual or estimated (present value) dollar amounts. Other adjustments may be categories as either superior or inferior, with percentage adjustments applied accordingly. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject. The adjustments are made in consideration of paired sales, the appraiser's experience and knowledge and interviews with market participants.

At a minimum, the appraiser considers the need to make adjustments for the following items:

- Expenditures after Sale (i.e. site development costs (if any), permits and fees, bond encumbrance and atypical carrying costs)
- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A detailed analysis involving the adjustment factors is presented below.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below-market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis. The comparable sales were cash to the seller transactions and do not require adjustments.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,

- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

No adjustments are warranted.

Market Conditions

Market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a city, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

Comparables 4 and 5 transferred in February 2017 and December 2016, respectively, and upward adjustments are warranted for improvements in market conditions.

Physical Characteristics

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

Location/Community Appeal

The subject property is located in the western portion of the city of Beaumont, within the Fairway Canyon master planned community. Overall community appeal is considered above average. As observed by the number of transactions within the past 24 months, south Riverside County is a desirable submarket for single-family residential lots, as many buyers are commuters to both San Diego and Orange County. All of the comparables are located within the south Riverside County market area. Comparables 1 and 2 are located in the community of Winchester (French Valley), within the desirable Temecula Valley Unified School District, which is considered superior to the subject, warranting a downward adjustment. Comparable 5 is also located in the French Valley market area, but not within the Temecula Valley Unified School District; thus, no adjustment is necessary. Comparable 3 is located in the city of Murrieta, proximate to the 215 Freeway, a primary transportation route through the region, which is considered significantly superior to the subject. Thus, a discernible downward adjustment in comparison to the subject property is warranted.

Number of Lots

There are 64 improved lots within CFD No. 2016-1. 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. All of the comparables contain a similar number of lots when compared to the subject; no adjustments are warranted.

Lot Size (Typical)

Adjustments for differences in lot size between the comparables and subject are estimated by applying lot size adjustment factors to difference in lot size. The subject's average lot size is approximately 7,840 square feet. All of the comparables contain larger or smaller lot sizes relative to the subject's lots and are adjusted accordingly.

Lot Premiums/Discounts

The subject and the comparables are anticipated to achieve a similar level of lot premiums (cul-de-sac, corner, inverted corner). None of the comparables benefit from view or significant open space premiums. Adjustments for this factor do not apply.

Zoning and Entitlements

The subject and comparables have entitlements in place for single-family residential development, and adjustments in this category do not apply.

Adjustment Grid

The grid below reflects the adjustments discussed above. It is noted a qualitative, rather than quantitative, analysis is performed.

Bulk Lot Sales Adjustment Grid

Site Characteristics:	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Lot Price		\$55,357	\$42,157	\$86,328	\$70,370	\$83,062
Remaining Site Development Costs		\$58,000	\$100,000	\$98,665	\$58,130	\$9,271
Finished Lot Price		\$113,357	\$142,157	\$184,993	\$128,500	\$92,333
Elements of Comparison						
Property Rights Conveyed Adjustment	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted Price		\$113,357	\$142,157	\$184,993	\$128,500	\$92,333
Financing Terms Adjustment	Cash Equiv.	Similar	Similar	Similar	Similar	Similar
Adjusted Price		\$113,357	\$142,157	\$184,993	\$128,500	\$92,333
Sale Conditions Adjustment	Market	Market	Market	Market	Market	Market
Adjusted Price		\$113,357	\$142,157	\$184,993	\$128,500	\$92,333
Market Conditions Adjustment	Dec-18 (Appraisal)	Dec-17	Sep-17	Aug-17	Feb-17	Dec-16
Adjusted Price		\$113,357	\$142,157	\$184,993	\$128,500	\$92,333
Physical Characteristics						
Location/Community Appeal Adjustment	Beaumont	Winchester ↓	Winchester ↓	Murrieta ↓↓	Lake Elsinore	Murrieta
Number of Lots Adjustment	64	112	51	64	81	82
Lot Size (Typical) Adjustment	7,840 (Avg.)	6,000 ↑	10,000 ↓	3,200 ↑	8,500 ↓	8,400 ↓
Lot Premiums/Discounts Adjustment	Average	Similar	Similar	Similar	Similar	Similar
Zoning/Entitlements Adjustment	Approved	Similar	Similar	Similar	Similar	Similar
Net Adjustment Loaded Lot Values		Similar ≈ \$113,357	Downward < \$142,157	Downward < \$184,993	Similar ≈ \$128,500	Upward > \$92,333

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 to \$184,993 per lot.

Based upon the analysis presented, a ranking analysis of the subject and the comparable sales is in the table below:

Bulk Lot Ranking Summary			
Property	Sale Date	\$/ Loaded Lot (Unadjusted)	Net Adjustment
Sale 3	Aug-17	\$184,993	Downward
Sale 2	Sep-17	\$142,157	Downward
Sale 4	Feb-17	\$128,500	Similar
Subject	--	\$115,000	--
Sale 1	Dec-17	\$113,357	Similar
Sale 5	Dec-16	\$92,333	Upward

As shown, the improved lot value indicator for the subject property is estimated to be generally similar to Comparables 1 and 4. An improved lot indicator of **\$115,000** per lot is concluded for the subject property.

Final Conclusion of Improved Lot Value

The sales comparison approach indicated \$115,000 per finished lot, while the extraction technique was \$106,000 per finished lot. Both methods are credible and supported; as such, our conclusion of value is **\$110,000 per finished lot**, in bulk (no further discounting is warranted). The improved lot value will be assigned to each improved lot within CFD No. 2016-1, as well as those lots with homes under construction within the Oak Ridge (Woodside) and Windsor at the Fairways (DR Horton) subdivisions.

Further, as previously noted, Woodside reports an additional \$110,000 in remaining development costs are required for the Oak Ridge subdivision. Thus, for the remaining 38 vacant, improved lots, the above costs will be deducted per lot, or \$2,895 ($\$110,000 \div 38$ lots). Thus, the conclusion of market value per lot for the Woodside component is \$107,105 per lot ($\$110,000 - \$2,895$ per lot).

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 smallest floor plan within each subdivision) and improved single-family lots.

As previously described, the appraised properties comprise 177 completed single-family homes, including one model home, within the boundaries of CFD No. 2016-1; however, of the 177 completed homes, 173 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 respective merchant builder. With respect to the balance of the units in CFD No. 2016-1, 26 represent homes under construction and 38 represent improved lots ready for home construction. As the estimate of market value for the 38 improved lots is based on a bulk value per lot, and the four completed homes, including one model home, could sell within 12 months to individual homeowners, it is our opinion no further discounting to the properties held by the merchant builders is warranted.

Final Conclusion of Value

As a result of our analysis, it is our opinions the cumulative, or aggregate, values of the 241 appraised properties, in accordance with the assumptions and conditions set forth in the attached document (please refer to pages 7 and 58 through 61), as well as the Assessed Values of the 131 completed single-family residences not appraised, as of January 1, 2019, are as follows are:

Final Value Conclusions				
Value Premise	Date of Value	Value per Parcel	No. of Parcels	Aggregate Value
Not-Less-Than Market Value per Home [^]	1/1/2019			
Cherry Blossom at the Fairways (KB Home)		\$300,000	74	\$ 22,200,000
Oak Ridge (Woodside)		\$370,000	42	\$ 15,540,000
Windsor at the Fairways (DR Horton)		\$370,000	25	\$ 9,250,000
Viridian at the Fairways (DR Horton)		\$350,000	36	\$ 12,600,000
Not-Less-Than Market Value - Homes Under Construction	1/1/2019			
Oak Ridge (Woodside)		\$110,000	17	\$ 1,870,000
Windsor at the Fairways (DR Horton)		\$110,000	9	\$ 990,000
Market Value - Finished (vacant) Lots	1/1/2019			
Oak Ridge (Woodside)		\$107,105	38	\$ <u>4,070,000</u>
Aggregate Value of Appraised Properties	1/1/2019		241	\$ 66,520,000
Aggregate Retail Value of Existing Homes based on Assessed Value (Fiscal Year 2018-19)			131	\$ 50,978,300
Total Aggregate Value of Appraised and Assessed Properties in the District			372	\$ 117,498,300

[^] Based upon the smallest floor plan within each subdivision

The estimates of value above represent a “not-less-than” value due to the fact we were requested to provide a market value of the smallest floor plan (by project) on each single-family residential lot improved with a completed home without a complete assessed improvement value assigned.

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 reimburse for certain public facilities completed. The estimate of market value accounts for the impact of the Lien of CFD No. 2016-1 for the Special Taxes securing the Bonds.

Any properties within CFD No. 2016-1 not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), in addition to those lots/parcels with completed improvements with an assigned assessed value for both land and improvements, are not a part of this Appraisal Report. We were requested to include the assigned assessed value for both land and improvements for the existing single-family homes (that have assessed improvement values) to provide the total aggregate value of the appraised and assessed properties.

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 account for the impact of the lien of the Special Taxes securing the Bonds.

The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of CFD No. 2016-1 are not marketed concurrently, which would suggest a market under duress.

Exposure Time

Exposure time is the period a property interest 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. In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. Based on a survey of market participants, a transfer of residential land in the region typically occurs within 12 months of exposure. It is estimated the exposure time for the subject property, if appropriately priced, would have been within 12 months of initial exposure.

Marketing Period

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property.

The marketing time for the subject property is not anticipated to vary significantly from the exposure time. Thus, the marketing time is estimated at 12 months or less.

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, and Kevin Ziegenmeyer, MAI, have made a personal inspection of the property that is the subject of this report.
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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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

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
Sacramento

3825 Atherton Rd
500
Rocklin, CA 95765

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esegal@irr.com - 916-435-3883 x228





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:

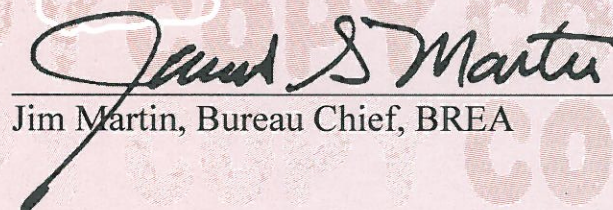
“Certified General Real Estate Appraiser”

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
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

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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

Integra Realty Resources
San Francisco

San Francisco, CA 95765

T 916-435-3883

F 916-435-4774

irr.com

kziegenmeyer@irr.com - 916-435-3883 x224



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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REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

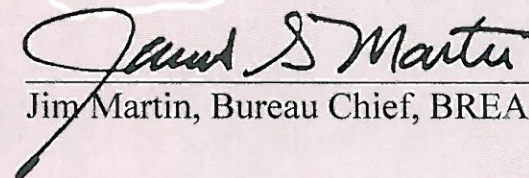
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“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

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Addendum B

Value by Assessor's Parcel

APN	Assessee	Land Value	Structure Value	House No.	Street Name	Street Suffix	Zip Code	Square Footage	Inspection Condition	Total Assessed Value	Appraised Value
413800001	WOODSIDE 055	\$26,223	\$0						Vacant Lot		\$107,105
413800002	WOODSIDE 055	\$26,171	\$0						Vacant Lot		\$107,105
413800003	WOODSIDE 055	\$26,171	\$0						Vacant Lot		\$107,105
413800004	WOODSIDE 055	\$26,171	\$0						Vacant Lot		\$107,105
413800005	WOODSIDE 055	\$26,171	\$0						Vacant Lot		\$107,105
413800006	WOODSIDE 055	\$26,047	\$358,055	355400	SMITH	AVE	92223	4,076	Model Home	\$384,102	
413800007	WOODSIDE 055	\$26,047	\$308,750	355360	SMITH	AVE	92223	3,370	Model Home	\$334,797	
413800008	WOODSIDE 055	\$26,047	\$289,750	355300	SMITH	AVE	92223	3,138	Model Home	\$315,797	
413800009	WOODSIDE 055	\$26,047	\$260,585	355240	SMITH	AVE	92223	2,620	Model Home		\$370,000
413800010	WOODSIDE 055	\$26,171	\$0	0	SMITH	AVE	92223		Vacant Lot		\$107,105
413800011	WOODSIDE 055	\$26,171	\$0	0	SMITH	AVE	92223		Vacant Lot		\$107,105
413800012	NELSON	\$71,400	\$343,566	354780	SMITH	AVE	92223	3,108	Completed/Sold	\$414,966	
413800013	HUGHES	\$71,400	\$307,770	354560	SMITH	AVE	92223	2,540	Completed/Sold	\$379,170	
413800014	DEMELO	\$71,400	\$380,995	354420	SMITH	AVE	92223	3,914	Completed/Sold	\$452,395	
413800015	ARDELEAN	\$71,400	\$380,970	354260	SMITH	AVE	92223	3,370	Completed/Sold	\$452,370	
413800016	COX	\$71,400	\$308,743	354180	SMITH	AVE	92223	2,540	Completed/Sold	\$380,143	
413800017	BALSAMO	\$71,400	\$335,581	354000	SMITH	AVE	92223	3,108	Completed/Sold	\$406,981	
413801001	WOODSIDE 055	\$59,520	\$0						Vacant Lot		\$107,105
413801002	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413801003	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413801004	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413801005	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413801006	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413801007	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413801008	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413801009	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413801010	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413801011	WOODSIDE 055	\$59,499	\$0						Vacant Lot		\$107,105
413810001	LUEBS	\$71,400	\$371,537	353960	SMITH	AVE	92223	3,120	Completed/Sold	\$442,937	
413810002	PATTERSON	\$71,400	\$416,160	353880	SMITH	AVE	92223	3,669	Completed/Sold	\$487,560	
413810003	MORALES	\$71,400	\$373,830	353760	SMITH	AVE	92223	2,402	Completed/Sold	\$445,230	
413810004	MYRDAHL	\$71,400	\$379,123	353680	SMITH	AVE	92223	3,669	Completed/Sold	\$450,523	
413810005	DANIALI	\$55,032	\$268,694	353560	SMITH	AVE	92223	3,120	Completed/Sold	\$323,726	
413810006	CHAMBERLAIN	\$71,400	\$336,600	353480	SMITH	AVE	92223	2,888	Completed/Sold	\$408,000	
413810007	LUEBS	\$71,400	\$332,922	353340	SMITH	AVE	92223	2,402	Completed/Sold	\$404,322	
413810008	RODRIGUEZ	\$71,400	\$393,165	353220	SMITH	AVE	92223	3,120	Completed/Sold	\$464,565	
413810009	WILSEY	\$71,400	\$485,395	353140	SMITH	AVE	92223	3,669	Completed/Sold	\$556,795	
413810010	VANDENBOSSCHE	\$71,400	\$364,467	353000	SMITH	AVE	92223	2,402	Completed/Sold	\$435,867	
413810011	TAYLOR	\$71,400	\$307,978	352880	SMITH	AVE	92223	2,276	Completed/Sold	\$379,378	
413810012	FERGUSON	\$71,400	\$412,581	352640	SMITH	AVE	92223	2,888	Completed/Sold	\$483,981	
413810013	ELLIS	\$71,400	\$316,791	352560	SMITH	AVE	92223	2,402	Completed/Sold	\$388,191	
413811001	MEADER	\$56,100	\$333,134	353990	SMITH	AVE	92223	2,402	Completed/Sold	\$389,234	
413811002	LOARCA	\$56,100	\$317,841	353910	SMITH	AVE	92223	2,888	Completed/Sold	\$373,941	
413811003	HANTCHES	\$56,100	\$320,214	353830	SMITH	AVE	92223	2,276	Completed/Sold	\$376,314	
413811004	RAYA	\$56,100	\$366,679	353710	SMITH	AVE	92223	3,120	Completed/Sold	\$422,779	
413811005	UNDERWOOD	\$56,100	\$335,167	353570	SMITH	AVE	92223	2,402	Completed/Sold	\$391,267	
413811006	GARCIA	\$56,100	\$384,030	353450	SMITH	AVE	92223	3,669	Completed/Sold	\$440,130	
413811007	MOHLER	\$56,100	\$295,591	353310	SMITH	AVE	92223	2,276	Completed/Sold	\$351,691	
413811008	ALDRICH	\$56,100	\$350,880	353190	SMITH	AVE	92223	2,888	Completed/Sold	\$406,980	
413811009	PEREZ	\$56,100	\$331,428	353070	SMITH	AVE	92223	3,120	Completed/Sold	\$387,528	
413811010	MILIAN	\$55,000	\$410,514	352950	SMITH	AVE	92223	3,669	Completed/Sold	\$465,514	
413811011	CARLOS	\$56,100	\$310,753	352750	SMITH	AVE	92223	2,402	Completed/Sold	\$366,853	
413811012	BLACKWELL	\$70,000	\$340,000	352590	SMITH	AVE	92223	3,120	Completed/Sold	\$410,000	
413811013	WOODSIDE 055	\$59,499	\$0	352600	THORPE TRAIL		92223	3,669	Completed/Sold		\$370,000
413811014	WOODSIDE 055	\$59,499	\$0	352660	THORPE TRAIL		92223	3,120	Completed/Sold		\$370,000
413811015	WOODSIDE 055	\$59,499	\$0					2,276	Completed/Sold		\$370,000
413811016	WOODSIDE 055	\$59,499	\$0	352800	THORPE TRAIL		92223	2,888	Under Construction		\$110,000
413811017	WOODSIDE 055	\$59,499	\$0	353080	THORPE TRAIL		92223	3,669	Under Construction		\$110,000
413811018	WOODSIDE 055	\$59,499	\$0	353120	THORPE TRAIL		92223	2,402	Under Construction		\$110,000
413811019	WOODSIDE 055	\$59,499	\$0	353160	THORPE TRAIL		92223	3,120	Under Construction		\$110,000
413811020	WOODSIDE 055	\$59,499	\$0	353200	THORPE TRAIL		92223	2,276	Under Construction		\$110,000
413811021	WOODSIDE 055	\$59,499	\$0	353260	THORPE TRAIL		92223	2,888	Under Construction		\$110,000
413811022	WOODSIDE 055	\$59,499	\$0						Under Construction		\$110,000
413811023	WOODSIDE 055	\$59,499	\$0						Under Construction		\$110,000
413811024	WOODSIDE 055	\$59,499	\$0						Under Construction		\$110,000
413820001	GODOY	\$70,000	\$393,150	352400	SMITH	AVE	92223	3,120	Completed/Sold	\$463,150	
413820002	CLARK	\$70,000	\$476,828	352360	SMITH	AVE	92223	3,669	Completed/Sold	\$546,828	
413820003	GIRTLEY	\$70,000	\$400,000	352280	SMITH	AVE	92223	2,888	Completed/Sold	\$470,000	
413820004	GARCIA	\$55,000	\$369,496	352200	SMITH	AVE	92223	2,402	Completed/Sold	\$424,496	
413820005	HARRIS	\$70,000	\$380,502	352120	SMITH	AVE	92223	3,120	Completed/Sold	\$450,502	
413820006	LINDBERG	\$70,000	\$366,973	352000	SMITH	AVE	92223	2,888	Completed/Sold	\$436,973	
413820007	MILLER	\$70,000	\$417,745	351960	SMITH	AVE	92223	3,669	Completed/Sold	\$487,745	
413820008	TAPIA	\$70,000	\$325,305	351940	SMITH	AVE	92223	2,276	Completed/Sold	\$395,305	
413820009	JOHNSON	\$70,000	\$364,500	351800	SMITH	AVE	92223	2,888	Completed/Sold	\$434,500	
413820010	TRINIDAD	\$70,000	\$431,025	351680	SMITH	AVE	92223	3,669	Completed/Sold	\$501,025	
413820011	WOODSIDE 055	\$26,171	\$219,100	351600	SMITH	AVE	92223	2,888	Completed/Sold		\$370,000
413820012	WOODSIDE 055	\$26,171	\$186,500	351560	SMITH	AVE	92223	2,402	Completed/Sold		\$370,000

413820013	WOODSIDE 05S	\$26,171	\$233,900	351500	SMITH	AVE	92223	3,120	Completed/Sold		\$370,000
413820014	WOODSIDE 05S	\$26,171	\$264,400	351590	SMITH	AVE	92223	3,669	Completed/Sold		\$370,000
413820015	WOODSIDE 05S	\$26,171	\$186,500	351630	SMITH	AVE	92223	2,402	Completed/Sold		\$370,000
413820016	WOODSIDE 05S	\$26,171	\$317,400	351750	SMITH	AVE	92223	3,120	Completed/Sold	\$343,571	
413820017	WOODSIDE 05S	\$26,171	\$75,500	114250	LYLE	LN	92223	3,669	Completed/Sold		\$370,000
413820018	WOODSIDE 05S	\$26,171	\$66,800	114290	LYLE	LN	92223	3,120	Completed/Sold		\$370,000
413820019	WOODSIDE 05S	\$26,171	\$53,300	114350	LYLE	LN	92223	2,402	Completed/Sold		\$370,000
413820020	WOODSIDE 05S	\$26,171	\$62,600	114390	LYLE	LN	92223	2,888	Completed/Sold		\$370,000
413820021	WOODSIDE 05S	\$26,171	\$0	114450	LYLE	LN	92223	3,120	Completed/Sold		\$370,000
413820022	WOODSIDE 05S	\$26,171	\$0	114490	LYLE	LN	92223	2,888	Completed/Sold		\$370,000
413820023	WOODSIDE 05S	\$26,171	\$0	114530	LYLE	LN	92223	2,402	Completed/Sold		\$370,000
413821001	MILLER	\$55,000	\$311,364	352510	SMITH	AVE	92223	2,276	Completed/Sold	\$366,364	
413821002	GONZALEZ	\$55,000	\$345,000	352390	SMITH	AVE	92223	2,888	Completed/Sold	\$400,000	
413821003	CAMPOS	\$70,000	\$290,060	352350	SMITH	AVE	92223	2,402	Completed/Sold	\$360,060	
413821004	STILLMUNKS	\$70,000	\$343,890	352230	SMITH	AVE	92223	3,120	Completed/Sold	\$413,890	
413821005	ALLEN	\$55,000	\$445,531	352150	SMITH	AVE	92223	3,669	Completed/Sold	\$500,531	
413821006	RAMIREZ	\$70,000	\$300,406	352090	SMITH	AVE	92223	2,276	Completed/Sold	\$370,406	
413821007	WOODSIDE 05S	\$26,171	\$66,800	114200	LYLE	LN	92223	3,120	Completed/Sold		\$370,000
413821008	WOODSIDE 05S	\$26,171	\$53,300	114260	LYLE	LN	92223	2,402	Completed/Sold		\$370,000
413821009	WOODSIDE 05S	\$26,171	\$66,800	114300	LYLE	LN	92223	3,120	Completed/Sold		\$370,000
413821010	WOODSIDE 05S	\$26,171	\$0	114360	LYLE	LN	92223	2,402	Completed/Sold		\$370,000
413821011	WOODSIDE 05S	\$26,171	\$0	114420	LYLE	LN	92223	3,669	Completed/Sold		\$370,000
413821012	WOODSIDE 05S	\$26,171	\$0	114480	LYLE	LN	92223	2,888	Completed/Sold		\$370,000
413821013	WOODSIDE 05S	\$59,499	\$0	352420	THORPE TRAIL		92223	3,120	Completed/Sold		\$370,000
413821014	WOODSIDE 05S	\$59,499	\$0	352460	THORPE TRAIL		92223	2,888	Completed/Sold		\$370,000
413821015	WOODSIDE 05S	\$59,499	\$0	352500	THORPE TRAIL		92223	3,669	Completed/Sold		\$370,000
413821016	WOODSIDE 05S	\$59,499	\$0	352560	THORPE TRAIL		92223	2,402	Completed/Sold		\$370,000
413830001	WOODSIDE 05S	\$26,171	\$0	114570	LYLE	LN	92223	2,276	Completed/Sold		\$370,000
413830002	WOODSIDE 05S	\$26,171	\$0	114590	LYLE	LN	92223	2,888	Completed/Sold		\$370,000
413830003	WOODSIDE 05S	\$26,171	\$0	114630	LYLE	LN	92223	2,402	Completed/Sold		\$370,000
413830004	WOODSIDE 05S	\$26,171	\$0	114650	LYLE	LN	92223	2,276	Completed/Sold		\$370,000
413830005	WOODSIDE 05S	\$26,171	\$0	114690	LYLE	LN	92223	3,669	Completed/Sold		\$370,000
413830006	WOODSIDE 05S	\$26,171	\$0	114730	LYLE	LN	92223	2,888	Completed/Sold		\$370,000
413830007	WOODSIDE 05S	\$26,171	\$0	114770	LYLE	LN	92223	2,402	Completed/Sold		\$370,000
413831001	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413831002	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413831003	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413831004	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413831005	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413831006	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413831007	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413831008	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413831009	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413831010	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832001	WOODSIDE 05S	\$59,499	\$0						Under Construction		\$110,000
413832002	WOODSIDE 05S	\$59,499	\$0						Under Construction		\$110,000
413832003	WOODSIDE 05S	\$59,499	\$0						Under Construction		\$110,000
413832004	WOODSIDE 05S	\$59,499	\$0	353230	THORPE TRAIL		92223	3,669	Under Construction		\$110,000
413832005	WOODSIDE 05S	\$59,499	\$0	353190	THORPE TRAIL		92223	2,402	Under Construction		\$110,000
413832006	WOODSIDE 05S	\$59,499	\$0	353150	THORPE TRAIL		92223	2,888	Under Construction		\$110,000
413832007	WOODSIDE 05S	\$59,499	\$0	353090	THORPE TRAIL		92223	2,276	Under Construction		\$110,000
413832008	WOODSIDE 05S	\$59,499	\$0	353010	THORPE TRAIL		92223	3,120	Under Construction		\$110,000
413832009	WOODSIDE 05S	\$59,499	\$0	352810	THORPE TRAIL		92223	2,402	Completed/Sold		\$370,000
413832010	WOODSIDE 05S	\$59,499	\$0	352690	THORPE TRAIL		92223	3,669	Completed/Sold		\$370,000
413832011	WOODSIDE 05S	\$59,499	\$0	352610	THORPE TRAIL		92223	2,276	Completed/Sold		\$370,000
413832012	WOODSIDE 05S	\$59,499	\$0	352550	THORPE TRAIL		92223	3,120	Completed/Sold		\$370,000
413832013	WOODSIDE 05S	\$59,499	\$0	352490	THORPE TRAIL		92223	2,276	Completed/Sold		\$370,000
413832014	WOODSIDE 05S	\$26,171	\$0	114540	LYLE	LN	92223	2,888	Completed/Sold		\$370,000
413832015	WOODSIDE 05S	\$26,171	\$0	114580	LYLE	LN	92223	3,120	Completed/Sold		\$370,000
413832016	WOODSIDE 05S	\$26,171	\$0	114600	LYLE	LN	92223	3,669	Completed/Sold		\$370,000
413832017	WOODSIDE 05S	\$26,171	\$0	114660	LYLE	LN	92223	3,120	Completed/Sold		\$370,000
413832018	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832019	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832020	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832021	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832022	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832023	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832024	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832025	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832026	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413832027	WOODSIDE 05S	\$59,499	\$0						Vacant Lot		\$107,105
413840001	KB HOME CALIF	\$36,879	\$15,000	359980	MICHELLE	LN	92223	1,904	Completed/Sold		\$300,000
413840002	KB HOME CALIF	\$36,879	\$15,000	359940	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840003	KB HOME CALIF	\$36,879	\$15,000	359920	MICHELLE	LN	92223	1,904	Completed/Sold		\$300,000
413840004	KB HOME CALIF	\$36,879	\$15,000	359880	MICHELLE	LN	92223	1,718	Completed/Sold		\$300,000
413840005	KB HOME CALIF	\$36,879	\$15,000	359840	MICHELLE	LN	92223	1,811	Completed/Sold		\$300,000
413840006	KB HOME CALIF	\$36,879	\$15,000	359820	MICHELLE	LN	92223	1,718	Completed/Sold		\$300,000
413840007	KB HOME CALIF	\$36,879	\$15,000	359760	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840008	KB HOME CALIF	\$36,879	\$15,000	359720	MICHELLE	LN	92223	1,811	Completed/Sold		\$300,000

413840009	KB HOME CALIF	\$36,879	\$0	359680	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840010	KB HOME CALIF	\$36,879	\$0	359640	MICHELLE	LN	92223	1,811	Completed/Sold		\$300,000
413840011	KB HOME CALIF	\$36,879	\$0	359560	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840012	KB HOME CALIF	\$36,879	\$163,600	359520	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840013	KB HOME CALIF	\$36,879	\$65,400	359480	MICHELLE	LN	92223	1,904	Completed/Sold		\$300,000
413840014	KB HOME CALIF	\$36,879	\$209,900	359440	MICHELLE	LN	92223	2,278	Completed/Sold		\$300,000
413840015	KB HOME CALIF	\$36,879	\$0	359420	MICHELLE	LN	92223	1,904	Completed/Sold		\$300,000
413840016	KB HOME CALIF	\$36,879	\$0	359380	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840017	KB HOME CALIF	\$36,879	\$0	359340	MICHELLE	LN	92223	2,278	Completed/Sold		\$300,000
413840018	KB HOME CALIF	\$36,879	\$0	359320	MICHELLE	LN	92223	1,718	Completed/Sold		\$300,000
413840019	KB HOME CALIF	\$36,879	\$0	359300	MICHELLE	LN	92223	1,904	Completed/Sold		\$300,000
413840020	KB HOME CALIF	\$36,879	\$0	359260	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840021	KB HOME CALIF	\$36,879	\$0	114270	MICHELLE	LN	92223	1,811	Completed/Sold		\$300,000
413840022	KB HOME CALIF	\$36,879	\$0	114310	MICHELLE	LN	92223	1,718	Completed/Sold		\$300,000
413840023	KB HOME CALIF	\$36,879	\$0	114390	MICHELLE	LN	92223	1,811	Completed/Sold		\$300,000
413840024	KB HOME CALIF	\$36,879	\$0	114450	MICHELLE	LN	92223	2,278	Completed/Sold		\$300,000
413840025	KB HOME CALIF	\$36,879	\$0	114480	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840026	KB HOME CALIF	\$36,879	\$0	114400	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840027	KB HOME CALIF	\$36,879	\$0	114360	MICHELLE	LN	92223	1,811	Completed/Sold		\$300,000
413840028	KB HOME CALIF	\$36,879	\$0	114300	MICHELLE	LN	92223	1,718	Completed/Sold		\$300,000
413840029	KB HOME CALIF	\$36,879	\$0	114220	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413840030	KB HOME CALIF	\$36,879	\$15,000	114350	TREVOR	WAY	92223	2,278	Completed/Sold		\$300,000
413840031	KB HOME CALIF	\$36,879	\$0	114390	TREVOR	WAY	92223	1,557	Completed/Sold		\$300,000
413840032	KB HOME CALIF	\$36,879	\$0	114410	TREVOR	WAY	92223	1,904	Completed/Sold		\$300,000
413840033	KB HOME CALIF	\$36,879	\$0	114450	TREVOR	WAY	92223	1,557	Completed/Sold		\$300,000
413840034	KB HOME CALIF	\$36,879	\$0	114490	TREVOR	WAY	92223	1,557	Completed/Sold		\$300,000
413840035	KB HOME CALIF	\$36,879	\$88,400	114550	TREVOR	WAY	92223	2,278	Completed/Sold		\$300,000
413840036	KB HOME CALIF	\$36,879	\$0	114590	TREVOR	WAY	92223	1,904	Completed/Sold		\$300,000
413840037	KB HOME CALIF	\$36,879	\$0	359500	DYLAN	CT	92223	1,557	Completed/Sold		\$300,000
413840038	KB HOME CALIF	\$36,879	\$0	359450	DYLAN	CT	92223	1,904	Completed/Sold		\$300,000
413840039	KB HOME CALIF	\$36,879	\$176,605	359410	DYLAN	CT	92223	1,811	Completed/Sold		\$300,000
413840040	KB HOME CALIF	\$36,879	\$209,855	359390	DYLAN	CT	92223	1,904	Completed/Sold		\$300,000
413840041	KB HOME CALIF	\$36,879	\$0	359350	DYLAN	CT	92223	1,557	Completed/Sold		\$300,000
413841001	KB HOME CALIF	\$36,879	\$0	114600	TREVOR	WAY	92223	1,557	Completed/Sold		\$300,000
413841002	KB HOME CALIF	\$36,879	\$0	114560	TREVOR	WAY	92223	1,718	Completed/Sold		\$300,000
413841003	KB HOME CALIF	\$36,879	\$0	114500	TREVOR	WAY	92223	1,557	Completed/Sold		\$300,000
413841004	KB HOME CALIF	\$36,879	\$0	114480	TREVOR	WAY	92223	1,718	Completed/Sold		\$300,000
413841005	KB HOME CALIF	\$36,879	\$0	114440	TREVOR	WAY	92223	1,811	Completed/Sold		\$300,000
413841006	KB HOME CALIF	\$36,879	\$0	114400	TREVOR	WAY	92223	1,557	Completed/Sold		\$300,000
413841007	KB HOME CALIF	\$36,879	\$65,400	359430	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413841008	CORTES	\$50,000	\$286,612	359510	MICHELLE	LN	92223	1,718	Completed/Sold	\$336,612	
413841009	KB HOME CALIF	\$36,879	\$65,400	359550	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413841010	KB HOME CALIF	\$36,879	\$176,600	359630	MICHELLE	LN	92223	1,557	Completed/Sold		\$300,000
413841011	CAPES	\$50,000	\$289,990	114410	WIE	CT	92223	1,904	Completed/Sold	\$339,990	
413841012	STIRDIVANT	\$50,000	\$300,260	114470	WIE	CT	92223	1,811	Completed/Sold	\$350,260	
413841013	ALON	\$50,000	\$280,000	114550	WIE	CT	92223	1,557	Completed/Sold	\$330,000	
413841014	DAVIS	\$50,000	\$300,171	114610	WIE	CT	92223	1,718	Completed/Sold	\$350,171	
413841015	KB HOME CALIF	\$36,879	\$178,400	114690	WIE	CT	92223	1,718	Completed/Sold		\$300,000
413841016	AGRAMONTE	\$36,529	\$224,395	114750	WIE	CT	92223	1,557	Completed/Sold		\$300,000
413841017	KB HOME CALIF	\$36,879	\$15,000	114760	WIE	CT	92223	2,278	Completed/Sold		\$300,000
413841018	KB HOME CALIF	\$36,879	\$15,000	114700	WIE	CT	92223	1,557	Completed/Sold		\$300,000
413841019	KB HOME CALIF	\$36,879	\$15,000	114620	WIE	CT	92223	1,811	Completed/Sold		\$300,000
413841020	SABA	\$50,000	\$302,793	114540	WIE	CT	92223	1,557	Completed/Sold	\$352,793	
413841021	KB HOME CALIF	\$36,879	\$15,000	359790	MICHELLE	LN	92223	1,718	Completed/Sold		\$300,000
413841022	KB HOME CALIF	\$36,879	\$15,000	359830	MICHELLE	LN	92223	2,278	Completed/Sold		\$300,000
413841023	KB HOME CALIF	\$36,879	\$15,000	359870	MICHELLE	LN	92223	1,904	Completed/Sold		\$300,000
413841024	KB HOME CALIF	\$36,879	\$163,600	359930	MICHELLE	LN	92223	1,718	Completed/Sold		\$300,000
413841025	KB HOME CALIF	\$36,879	\$220,900	359950	MICHELLE	LN	92223	2,278	Completed/Sold		\$300,000
413850001	KB HOME CALIF	\$36,879	\$0						Completed/Sold		\$300,000
413850002	KB HOME CALIF	\$36,879	\$0						Completed/Sold		\$300,000
413850003	KB HOME CALIF	\$36,879	\$0						Completed/Sold		\$300,000
413850004	KB HOME CALIF	\$36,879	\$220,900	113770	LEXI	LN	92223	2,278	Completed/Sold		\$300,000
413850005	KB HOME CALIF	\$36,879	\$188,700	113730	LEXI	LN	92223	1,904	Completed/Sold		\$300,000
413850006	RUBIO	\$50,000	\$316,651	113690	LEXI	LN	92223	2,278	Completed/Sold	\$366,651	
413850007	CHHU	\$50,000	\$287,990	113650	LEXI	LN	92223	1,904	Completed/Sold	\$337,990	
413850008	MENDOZA	\$50,000	\$281,986	113610	LEXI	LN	92223	1,811	Completed/Sold	\$331,986	
413850009	HALL	\$50,000	\$284,000	113570	LEXI	LN	92223	1,718	Completed/Sold	\$334,000	
413850010	KB HOME CALIF	\$36,879	\$188,700	113530	LEXI	LN	92223	1,904	Completed/Sold		\$300,000
413850011	KB HOME CALIF	\$36,879	\$220,900	113490	LEXI	LN	92223	2,278	Completed/Sold		\$300,000
413850012	LEARN	\$50,000	\$304,407	113450	LEXI	LN	92223	1,811	Completed/Sold	\$354,407	
413850013	ESPIRITU	\$50,000	\$275,000	113430	LEXI	LN	92223	1,718	Completed/Sold	\$325,000	
413850014	STEGALL	\$50,000	\$318,807	113480	LEXI	LN	92223	1,557	Completed/Sold	\$368,807	
413850015	KB HOME CALIF	\$36,879	\$209,900	113500	LEXI	LN	92223	2,278	Completed/Sold		\$300,000
413850016	REED	\$50,000	\$278,830	113620	LEXI	LN	92223	1,557	Completed/Sold	\$328,830	
413850017	IBARRA	\$50,000	\$304,000	113640	LEXI	LN	92223	1,811	Completed/Sold	\$354,000	
413850018	PENA	\$12,038	\$58,714	359360	WALKER	CT	92223	1,557	Completed/Sold		\$300,000
413850019	ROBERTSON	\$50,000	\$333,395	359420	WALKER	CT	92223	2,278	Completed/Sold	\$383,395	
413850020	MORADA	\$50,000	\$315,800	359490	WALKER	CT	92223	1,557	Completed/Sold	\$365,800	
413850021	COVARRUBIAS	\$51,000	\$283,560	359430	WALKER	CT	92223	1,811	Completed/Sold	\$334,560	

413850022	LEWIS	\$50,000	\$330,160	359410	WALKER	CT	92223	2,278	Completed/Sold	\$380,160	
413850023	AGUIRRE	\$50,000	\$297,195	359370	WALKER	CT	92223	1,904	Completed/Sold	\$347,195	
413850024	KB HOME CALIF	\$36,879	\$0	359400	DYLAN	CT	92223	1,557	Completed/Sold		\$300,000
413850025	KB HOME CALIF	\$36,879	\$0	359420	DYLAN	CT	92223	1,904	Completed/Sold		\$300,000
413850026	KB HOME CALIF	\$36,879	\$0	359440	DYLAN	CT	92223	1,811	Completed/Sold		\$300,000
413850027	KB HOME CALIF	\$36,879	\$0	359460	DYLAN	CT	92223	1,811	Completed/Sold		\$300,000
413850028	KB HOME CALIF	\$36,879	\$0	359480	DYLAN	CT	92223	1,718	Completed/Sold		\$300,000
413871001	WESTERN PACIFIC HOU	\$62,651	\$0	353650	MICKELSON	DR	92223	2,412	Completed/Sold		\$350,000
413871002	WESTERN PACIFIC HOU	\$62,651	\$0	353630	MICKELSON	DR	92223	2,709	Completed/Sold		\$350,000
413871003	WESTERN PACIFIC HOU	\$62,651	\$0	353610	MICKELSON	DR	92223	2,508	Completed/Sold		\$350,000
413871004	WESTERN PACIFIC HOU	\$62,651	\$0	353570	MICKELSON	DR	92223	2,709	Completed/Sold		\$350,000
413871005	WESTERN PACIFIC HOU	\$62,651	\$0	353530	MICKELSON	DR	92223	2,508	Completed/Sold		\$350,000
413871006	WESTERN PACIFIC HOU	\$62,651	\$0	353490	MICKELSON	DR	92223	2,412	Completed/Sold		\$350,000
413871007	WESTERN PACIFIC HOU	\$62,651	\$0	353450	MICKELSON	DR	92223	2,709	Completed/Sold		\$350,000
413871008	WESTERN PACIFIC HOU	\$62,651	\$0	353410	MICKELSON	DR	92223	2,412	Completed/Sold		\$350,000
413871009	WESTERN PACIFIC HOU	\$62,651	\$0	353220	STEWART	ST	92223	2,639	Under Construction		\$110,000
413871010	WESTERN PACIFIC HOU	\$62,651	\$0	353260	STEWART	ST	92223	2,861	Under Construction		\$110,000
413871011	WESTERN PACIFIC HOU	\$62,651	\$0	353300	STEWART	ST	92223	3,124	Under Construction		\$110,000
413871012	WESTERN PACIFIC HOU	\$62,651	\$0	353340	STEWART	ST	92223	2,861	Under Construction		\$110,000
413871013	WESTERN PACIFIC HOU	\$62,651	\$0	353380	STEWART	ST	92223	2,639	Under Construction		\$110,000
413871014	WESTERN PACIFIC HOU	\$62,651	\$0	353390	STEWART	ST	92223	2,639	Under Construction		\$110,000
413871015	WESTERN PACIFIC HOU	\$62,651	\$0	353370	STEWART	ST	92223	3,124	Under Construction		\$110,000
413871016	WESTERN PACIFIC HOU	\$62,651	\$0	353350	STEWART	ST	92223	3,124	Under Construction		\$110,000
413871017	WESTERN PACIFIC HOU	\$62,651	\$0	353330	STEWART	ST	92223	2,639	Under Construction		\$110,000
413871018	WESTERN PACIFIC HOU	\$62,651	\$320,100	353290	STEWART	ST	92223	3,124	Model Home	\$382,751	
413871019	WESTERN PACIFIC HOU	\$62,651	\$299,700	353250	STEWART	ST	92223	3,137	Model Home	\$362,351	
413871020	WESTERN PACIFIC HOU	\$62,651	\$266,800	353210	STEWART	ST	92223	2,709	Model Home	\$329,451	
413871021	WESTERN PACIFIC HOU	\$62,651	\$0	353170	STEWART	ST	92223	2,508	Completed/Sold		\$350,000
413871022	PACLEB	\$60,000	\$300,500	353130	STEWART	ST	92223	2,412	Completed/Sold	\$360,500	
413871023	NUNEZ	\$60,000	\$309,990	353070	STEWART	ST	92223	2,508	Completed/Sold	\$369,990	
413871024	RAMIREZ	\$60,000	\$340,600	353030	STEWART	ST	92223	2,709	Completed/Sold	\$400,600	
413871025	RAVELO	\$60,000	\$304,990	352690	STEWART	ST	92223	2,412	Completed/Sold	\$364,990	
413871026	HIGGINS	\$60,000	\$308,990	352490	STEWART	ST	92223	2,508	Completed/Sold	\$368,990	
413871027	TOLENTINO	\$60,000	\$403,000	352350	STEWART	ST	92223	3,124	Completed/Sold	\$463,000	
413872001	CARDENAZ	\$55,000	\$306,500	352500	STEWART	ST	92223	2,412	Completed/Sold	\$361,500	
413872002	LOPEZ	\$55,000	\$338,000	352620	STEWART	ST	92223	2,508	Completed/Sold	\$393,000	
413872003	LAPLANTE	\$55,000	\$318,485	353000	STEWART	ST	92223	2,412	Completed/Sold	\$373,485	
413872004	BAUTISTA	\$55,000	\$342,965	353040	STEWART	ST	92223	2,709	Completed/Sold	\$397,965	
413872005	BREITEN	\$55,000	\$358,400	353080	STEWART	ST	92223	2,709	Completed/Sold	\$413,400	
413872006	ROCHA	\$55,000	\$303,990	353120	STEWART	ST	92223	2,412	Completed/Sold	\$358,990	
413872007	WESTERN PACIFIC HOU	\$62,651	\$0	353140	STEWART	ST	92223	2,508	Completed/Sold		\$350,000
413872008	WESTERN PACIFIC HOU	\$62,651	\$0	353180	STEWART	ST	92223	2,412	Completed/Sold		\$350,000
413881001	BERG	\$55,000	\$368,500	352250	STEWART	ST	92223	2,639	Completed/Sold	\$423,500	
413881002	WHITE	\$55,000	\$404,000	352210	STEWART	ST	92223	2,861	Completed/Sold	\$459,000	
413881003	QUAYLE	\$55,000	\$391,500	352150	STEWART	ST	92223	2,861	Completed/Sold	\$446,500	
413881004	WESTERN PACIFIC HOU	\$62,651	\$289,000	352110	STEWART	ST	92223	2,639	Completed/Sold	\$351,651	
413881005	LYONS	\$55,000	\$418,145	352030	STEWART	ST	92223	3,424	Completed/Sold	\$473,145	
413881006	SAYLOR	\$55,000	\$414,840	352000	STEWART	ST	92223	3,424	Completed/Sold	\$469,840	
413881007	WESTERN PACIFIC HOU	\$62,651	\$289,000	352100	STEWART	ST	92223	2,639	Completed/Sold	\$351,651	
413881008	SANCHEZ	\$55,000	\$309,395	115050	AARON	AVE	92223	2,412	Completed/Sold	\$364,395	
413881009	GARCIA	\$55,000	\$346,875	114990	AARON	AVE	92223	2,709	Completed/Sold	\$401,875	
413881010	WESTERN PACIFIC HOU	\$62,651	\$249,600	114950	AARON	AVE	92223	2,412	Completed/Sold	\$312,251	
413881011	LAFORTEZA	\$55,000	\$310,200	114870	AARON	AVE	92223	2,508	Completed/Sold	\$365,200	
413881012	WESTERN PACIFIC HOU	\$62,651	\$315,200	114830	AARON	AVE	92223	2,861	Completed/Sold	\$377,851	
413881013	SCHWARTZ	\$55,000	\$348,935	114790	AARON	AVE	92223	2,639	Completed/Sold	\$403,935	
413881014	BREWER	\$55,000	\$389,310	114750	AARON	AVE	92223	3,124	Completed/Sold	\$444,310	
413881015	WESTERN PACIFIC HOU	\$62,651	\$289,000	114710	AARON	AVE	92223	2,639	Completed/Sold	\$351,651	
413881016	WESTERN PACIFIC HOU	\$62,651	\$315,200	114670	AARON	AVE	92223	2,861	Completed/Sold	\$377,851	
413881017	WESTERN PACIFIC HOU	\$62,651	\$337,000	114630	AARON	AVE	92223	3,124	Completed/Sold	\$399,651	
413881018	WESTERN PACIFIC HOU	\$62,651	\$249,600	114590	AARON	AVE	92223	2,412	Completed/Sold	\$312,251	
413881019	WESTERN PACIFIC HOU	\$62,651	\$259,100	114570	AARON	AVE	92223	2,508	Completed/Sold	\$321,751	
413881020	WESTERN PACIFIC HOU	\$62,651	\$280,800	114570	AARON	AVE	92223	2,709	Completed/Sold	\$343,451	
413881021	WESTERN PACIFIC HOU	\$62,651	\$280,800	114510	AARON	AVE	92223	2,709	Completed/Sold	\$343,451	
413881022	WESTERN PACIFIC HOU	\$62,651	\$259,100	114470	AARON	AVE	92223	2,508	Completed/Sold	\$321,751	
413881023	WESTERN PACIFIC HOU	\$62,651	\$168,500	114450	AARON	AVE	92223	2,709	Completed/Sold		\$350,000
413882001	WESTERN PACIFIC HOU	\$62,651	\$99,800	114460	AARON	AVE	92223	2,412	Completed/Sold		\$350,000
413882002	WESTERN PACIFIC HOU	\$62,651	\$259,100	114500	AARON	AVE	92223	2,508	Completed/Sold	\$321,751	
413882003	LEWIS	\$60,000	\$336,375	114540	AARON	AVE	92223	2,709	Completed/Sold	\$396,375	
413882004	WESTERN PACIFIC HOU	\$62,651	\$249,600	114580	AARON	AVE	92223	2,412	Completed/Sold	\$312,251	
413882005	COSTA	\$7,361	\$41,718	114620	AARON	AVE	92223	2,709	Completed/Sold		\$350,000
413882006	WESTERN PACIFIC HOU	\$62,651	\$289,000	114640	AARON	AVE	92223	2,639	Completed/Sold	\$351,651	
413882007	DAWAL	\$60,000	\$389,745	114680	AARON	AVE	92223	3,124	Completed/Sold	\$449,745	
413882008	PETKUE	\$60,000	\$393,905	114720	AARON	AVE	92223	2,861	Completed/Sold	\$453,905	
413882009	MASONGO	\$60,000	\$390,525	114760	AARON	AVE	92223	3,124	Completed/Sold	\$450,525	
413882010	WESTERN PACIFIC HOU	\$62,651	\$289,000	114800	AARON	AVE	92223	2,639	Completed/Sold	\$351,651	
413882011	WESTERN PACIFIC HOU	\$62,651	\$249,600	114840	AARON	AVE	92223	2,412	Completed/Sold	\$312,251	
413882012	WESTERN PACIFIC HOU	\$62,651	\$259,100	114900	AARON	AVE	92223	2,508	Completed/Sold	\$321,751	
413882013	VILDOSOLA	\$60,000	\$310,560	114960	AARON	AVE	92223	2,508	Completed/Sold	\$370,560	
413882014	BROOKS	\$60,000	\$333,960	115000	AARON	AVE	92223	2,709	Completed/Sold	\$393,960	

413882015	WESTERN PACIFIC HOU	\$62,651	\$249,600	115060	AARON	AVE	92223	2,412	Completed/Sold	\$312,251	
413882016	WESTERN PACIFIC HOU	\$62,651	\$249,600	115100	AARON	AVE	92223	2,412	Completed/Sold	\$312,251	
413883001	GERHARD	\$55,000	\$399,000	352300	STEWART	ST	92223	3,424	Completed/Sold	\$454,000	
413883002	WESTERN PACIFIC HOU	\$62,651	\$289,000	352360	STEWART	ST	92223	2,639	Completed/Sold	\$351,651	
413891001	WESTERN PACIFIC HOU	\$62,651	\$155,500	114290	AARON	AVE	92223	2,508	Completed/Sold		\$350,000
413891002	WESTERN PACIFIC HOU	\$62,651	\$289,000	350050	LANGER COVE		92223	2,639	Completed/Sold	\$351,651	
413891003	WESTERN PACIFIC HOU	\$62,651	\$289,000	350010	LANGER COVE		92223	2,639	Completed/Sold	\$351,651	
413891004	WESTERN PACIFIC HOU	\$62,651	\$315,200	349950	LANGER COVE		92223	2,861	Completed/Sold	\$377,851	
413891005	WESTERN PACIFIC HOU	\$62,651	\$289,000	349980	LANGER COVE		92223	2,639	Completed/Sold	\$351,651	
413891006	ROLSTON	\$55,000	\$414,610	350020	LANGER COVE		92223	3,124	Completed/Sold	\$469,610	
413891007	WESTERN PACIFIC HOU	\$62,651	\$289,000	113910	AARON	AVE	92223	2,639	Completed/Sold	\$351,651	
413891008	WESTERN PACIFIC HOU	\$62,651	\$315,200	113850	AARON	AVE	92223	2,861	Completed/Sold	\$377,851	
413891009	WESTERN PACIFIC HOU	\$62,651	\$25,000	113740	BREWER	DR	92223	2,412	Completed/Sold		\$350,000
413891010	WESTERN PACIFIC HOU	\$62,651	\$28,100	113820	BREWER	DR	92223	2,709	Completed/Sold		\$350,000
413891011	WESTERN PACIFIC HOU	\$62,651	\$0	113860	BREWER	DR	92223	2,508	Completed/Sold		\$350,000
413891012	WESTERN PACIFIC HOU	\$62,651	\$0	113900	BREWER	DR	92223	2,412	Completed/Sold		\$350,000
413891013	WESTERN PACIFIC HOU	\$62,651	\$0	113940	BREWER	DR	92223	2,508	Completed/Sold		\$350,000
413891014	WESTERN PACIFIC HOU	\$62,651	\$0	113960	BREWER	DR	92223	2,709	Completed/Sold		\$350,000
413892001	WESTERN PACIFIC HOU	\$62,651	\$0	349450	ROBERTS	PL	92223	2,639	Completed/Sold		\$370,000
413892002	WESTERN PACIFIC HOU	\$62,651	\$0	349410	ROBERTS	PL	92223	2,861	Completed/Sold		\$370,000
413892003	WESTERN PACIFIC HOU	\$62,651	\$0	349390	ROBERTS	PL	92223	3,124	Completed/Sold		\$370,000
413892004	WESTERN PACIFIC HOU	\$62,651	\$0	349350	ROBERTS	PL	92223	2,639	Completed/Sold		\$370,000
413892005	WESTERN PACIFIC HOU	\$62,651	\$0	349290	ROBERTS	PL	92223	2,861	Completed/Sold		\$370,000
413892006	WESTERN PACIFIC HOU	\$62,651	\$0	349210	ROBERTS	PL	92223	3,124	Completed/Sold		\$370,000
413892007	WESTERN PACIFIC HOU	\$62,651	\$0	349090	ROBERTS	PL	92223	2,639	Completed/Sold		\$370,000
413892008	WESTERN PACIFIC HOU	\$62,651	\$0	349000	ROBERTS	PL	92223	3,124	Completed/Sold		\$370,000
413892009	WESTERN PACIFIC HOU	\$62,651	\$0	349200	ROBERTS	PL	92223	3,124	Completed/Sold		\$370,000
413892010	WESTERN PACIFIC HOU	\$62,651	\$0	349280	ROBERTS	PL	92223	2,639	Completed/Sold		\$370,000
413892011	WESTERN PACIFIC HOU	\$62,651	\$0	349320	ROBERTS	PL	92223	2,639	Completed/Sold		\$370,000
413892012	WESTERN PACIFIC HOU	\$62,651	\$0	349360	ROBERTS	PL	92223	3,124	Completed/Sold		\$370,000
413892013	WESTERN PACIFIC HOU	\$62,651	\$0	349420	ROBERTS	PL	92223	2,861	Completed/Sold		\$370,000
413892014	WESTERN PACIFIC HOU	\$62,651	\$0	349440	ROBERTS	PL	92223	2,861	Completed/Sold		\$370,000
413892015	WESTERN PACIFIC HOU	\$62,651	\$0	349480	ROBERTS	PL	92223	2,639	Completed/Sold		\$370,000
413892016	WESTERN PACIFIC HOU	\$62,651	\$173,400	349890	KEISER	CT	92223	2,639	Completed/Sold		\$370,000
413892017	WESTERN PACIFIC HOU	\$62,651	\$189,100	349870	KEISER	CT	92223	2,861	Completed/Sold		\$370,000
413892018	WESTERN PACIFIC HOU	\$62,651	\$202,200	349850	KEISER	CT	92223	3,124	Completed/Sold		\$370,000
413892019	WESTERN PACIFIC HOU	\$62,651	\$173,400	349810	KEISER	CT	92223	2,639	Completed/Sold		\$370,000
413892020	WESTERN PACIFIC HOU	\$62,651	\$189,100	349730	KEISER	CT	92223	2,861	Completed/Sold		\$370,000
413892021	WESTERN PACIFIC HOU	\$62,651	\$202,200	349760	KEISER	CT	92223	3,124	Completed/Sold		\$370,000
413892022	WESTERN PACIFIC HOU	\$62,651	\$189,100	349800	KEISER	CT	92223	2,861	Completed/Sold		\$370,000
413892023	WESTERN PACIFIC HOU	\$62,651	\$173,400	349820	KEISER	CT	92223	2,639	Completed/Sold		\$370,000
413892024	WESTERN PACIFIC HOU	\$62,651	\$202,200	349860	KEISER	CT	92223	3,124	Completed/Sold		\$370,000
413892025	WESTERN PACIFIC HOU	\$62,651	\$173,400	349880	KEISER	CT	92223	2,639	Completed/Sold		\$370,000
413892026	WESTERN PACIFIC HOU	\$62,651	\$0	113850	BREWER	DR	92223	2,412	Completed/Sold		\$350,000
413892027	WESTERN PACIFIC HOU	\$62,651	\$0	113810	BREWER	DR	92223	2,508	Completed/Sold		\$350,000
413892028	WESTERN PACIFIC HOU	\$62,651	\$28,100	113750	BREWER	DR	92223	2,709	Completed/Sold		\$350,000
413892029	WESTERN PACIFIC HOU	\$62,651	\$25,000	113710	BREWER	DR	92223	2,412	Completed/Sold		\$350,000
413892030	WESTERN PACIFIC HOU	\$62,651	\$25,000	113650	AARON	AVE	92223	2,412	Completed/Sold		\$350,000
413893001	WESTERN PACIFIC HOU	\$62,651	\$25,000	113640	AARON	AVE	92223	2,412	Completed/Sold		\$350,000
413893002	WESTERN PACIFIC HOU	\$62,651	\$25,900	113680	AARON	AVE	92223	2,508	Completed/Sold		\$350,000
413893003	WESTERN PACIFIC HOU	\$62,651	\$28,100	113720	AARON	AVE	92223	2,709	Completed/Sold		\$350,000
413893004	WESTERN PACIFIC HOU	\$62,651	\$25,900	113760	AARON	AVE	92223	2,508	Completed/Sold		\$350,000
413893005	WESTERN PACIFIC HOU	\$62,651	\$28,100	113800	AARON	AVE	92223	2,709	Completed/Sold		\$350,000
413893006	WESTERN PACIFIC HOU	\$62,651	\$25,000	113840	AARON	AVE	92223	2,412	Completed/Sold		\$350,000
413893007	WESTERN PACIFIC HOU	\$62,651	\$112,300	113880	AARON	AVE	92223	2,709	Completed/Sold		\$350,000
413893008	WESTERN PACIFIC HOU	\$62,651	\$99,800	113920	AARON	AVE	92223	2,412	Completed/Sold		\$350,000
413893009	WESTERN PACIFIC HOU	\$62,651	\$103,600	113980	AARON	AVE	92223	2,508	Completed/Sold		\$350,000
413893010	WESTERN PACIFIC HOU	\$62,721	\$112,300	114200	AARON	AVE	92223	2,709	Completed/Sold		\$350,000
									Aggregate Value	\$50,978,300	\$66,520,000

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APPENDIX I
GRAND JURY REQUEST FOR DOCUMENTS

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