

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

\$7,155,000
COMMUNITY FACILITIES DISTRICT NO. 2013-1
OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
SERIES 2019 SPECIAL TAX BONDS

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The Series 2019 Special Tax Bonds (the "Bonds") are being issued under the Mello-Roos Community Facilities Act of 1982 (the "Act"); the Resolution of Issuance (as defined herein) and a Fiscal Agent Agreement, dated as of April 1, 2019 (the "Fiscal Agent Agreement"), by and between Community Facilities District No. 2013-1 of the Temecula Valley Unified School District (the "Community Facilities District") and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"). The Bonds are payable from Net Taxes (as defined herein) levied on property within the Community Facilities District according to the Rate and Method of Apportionment of the Special Tax Temecula Valley Unified School District Community Facilities District No. 2013-1, approved by the qualified electors within the Community Facilities District and by the Board of Education (the "Board") of the Temecula Valley Unified School District (the "School District"), acting as the Legislative Body of the Community Facilities District.

The Bonds are being issued (i) to finance, either directly or indirectly, the acquisition and construction of certain school facilities (the "Facilities"), (ii) to fund a Reserve Fund for the Bonds in an amount equal to the Reserve Requirement, (iii) to pay capitalized interest through approximately September 1, 2019, and (iv) to pay certain costs of issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS" herein.

Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 2019. The Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds as described herein under "THE BONDS – Book-Entry and DTC."

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

MATURITY SCHEDULE
(See Inside Cover)

Please refer to the inside cover page for a summary of the principal amounts, interest rates and reoffering yields for the Bonds.

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

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves risks which may not be appropriate for some investors. See "BONDOWNERS' RISKS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the School District and the Community Facilities District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, and by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Disclosure Counsel, and for the Underwriter by Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds, in book-entry form, will be available through the services of DTC on or about April 17, 2019.

STIFEL

MATURITY SCHEDULE
\$7,155,000
COMMUNITY FACILITIES DISTRICT NO. 2013-1
OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
SERIES 2019 SPECIAL TAX BONDS

\$3,700,000 Serial Bonds
Base CUSIP® No. 87970H†

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP® No. †	Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP® No. †
2020	\$120,000	3.00%	1.52%	102.001%	MQ5	2030	\$180,000	5.000%	2.81%	116.930% ^C	NA9
2021	125,000	4.00	1.85	104.965	MR3	2031	190,000	5.000	2.89	116.344 ^C	NB7
2022	130,000	4.00	1.97	106.589	MS1	2032	200,000	5.000	2.98	115.689 ^C	NC5
2023	135,000	4.00	2.15	107.678	MT9	2033	210,000	5.000	3.02	115.400 ^C	ND3
2024	140,000	5.00	2.25	113.839	MU6	2034	220,000	5.000	3.06	115.111 ^C	NE1
2025	145,000	5.00	2.35	115.595	MV4	2035	230,000	5.000	3.11	114.752 ^C	NF8
2026	150,000	5.00	2.42	117.321	MW2	2036	240,000	5.000	3.16	114.393 ^C	NG6
2027	160,000	5.00	2.48	118.943	MX0	2037	255,000	3.250	3.51	96.498	NH4
2028	165,000	5.00	2.57	118.707 ^C	MY8	2038	260,000	3.375	3.55	97.560	NJ0
2029	175,000	5.00	2.67	117.963 ^C	MZ5	2039	270,000	3.375	3.59	96.909	NK7

\$1,525,000 5.00% 2019 Term Bonds due September 1, 2044, Yield 3.35% Price 113.044%^C CUSIP® No. 87970H NL5†

\$1,930,000 5.00% 2019 Term Bonds due September 1, 2049, Yield 3.40% Price 112.691%^C CUSIP® No. 87970H NM3†

^C Priced to optional call at 103% on September 1, 2026.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers have been assigned by an independent company not affiliated with the Community Facilities District or the Underwriter and are provided for convenience of reference only. The Community Facilities District, the School District and the Underwriter take no responsibility for the accuracy of such numbers. The CUSIP® number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions.

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Dr. Kristi Rutz-Robbins, *President/Trustee Area 5*
Sandy Hinkson, *Clerk/Trustee Area 2*
Barbara Brosch, *Member/Trustee Area 3*
Lee Darling, *Member/Trustee Area 1*
Adam Skumawitz, *Member/Trustee Area 4*

DISTRICT ADMINISTRATION

Timothy Ritter, *District Superintendent*
Lori Ordway-Peck, *Assistant Superintendent of Business Support Services*
Jodi McClay, *Deputy Superintendent of Educational Support Services*
Raymond Johnson, *Assistant Superintendent, Human Resources Development*

BOND COUNSEL

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Irvine, California

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Laguna Hills, California

**SPECIAL TAX CONSULTANT, CFD ADMINISTRATOR
AND INITIAL DISSEMINATION AGENT**

Special District Financing & Administration, LLC
Escondido, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

FISCAL AGENT

U.S. Bank National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. All information for investors regarding the Community Facilities District and the Bonds is contained in this Official Statement. While the School District maintains an internet website and certain social media accounts for various purposes, none of the information on this website or social media accounts is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the School District.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Community Facilities District in any press release and in any oral statement made with the approval of an authorized officer of the Community Facilities District or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend,” and similar expressions identify “forward-looking statements” within the meaning of the 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 subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Community Facilities District or any other entity described or referenced herein since the date hereof. The Community Facilities District does not plan to issue any updates or revision to the forward-looking statements set forth in this Official Statement.

Authorized Information. No dealer, broker, salesperson or other person has been authorized by the Community Facilities District to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Community Facilities District 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.

Involvement of Underwriter. The Underwriter has submitted the following statement 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. The information and expressions of opinions herein are subject to change without notice and neither 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 Community Facilities District or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement 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.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 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 Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

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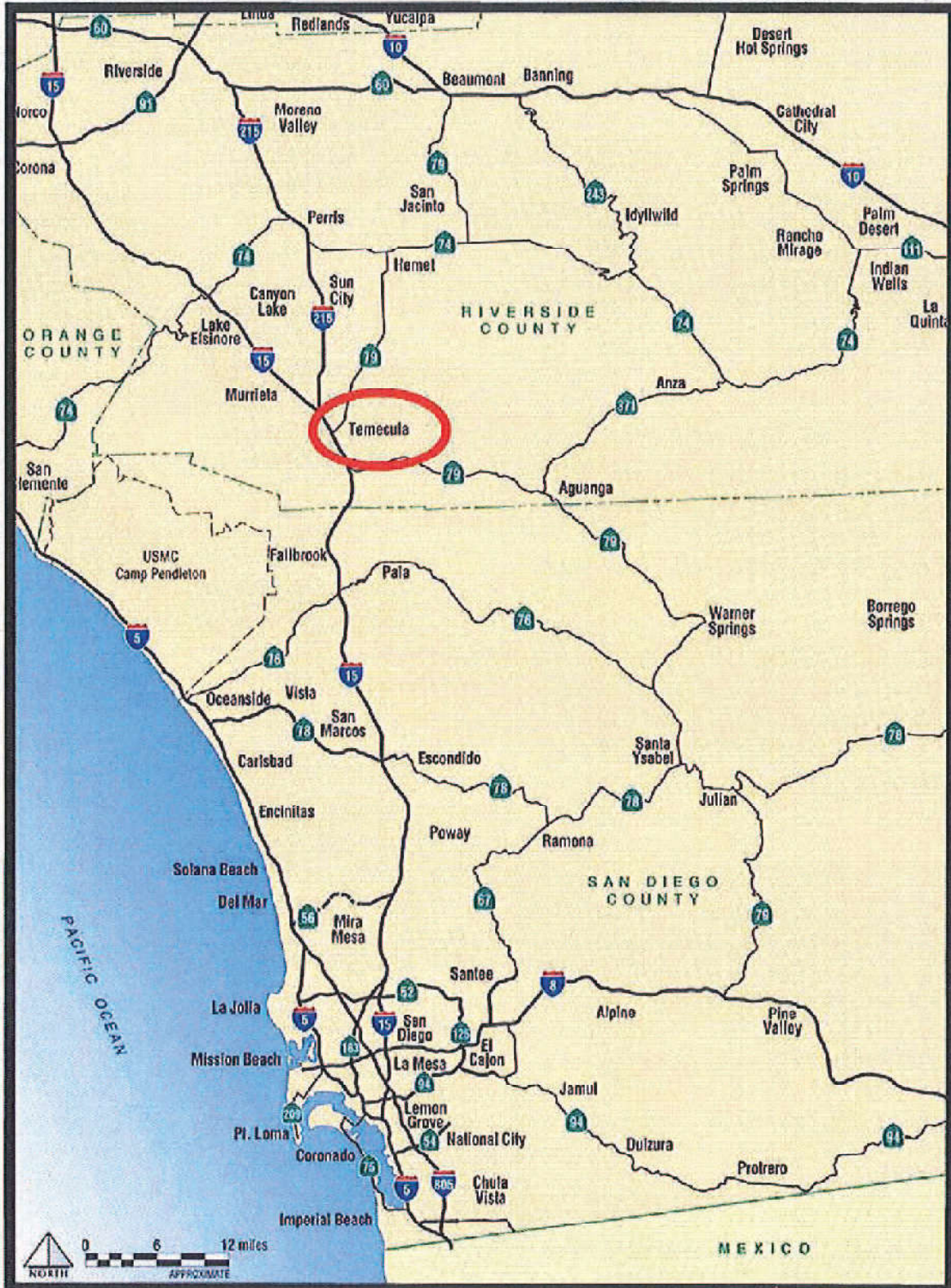
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TEMECULA VALLEY Unified School District

Regional Location Map



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OFFICIAL STATEMENT

\$7,155,000

COMMUNITY FACILITIES DISTRICT NO. 2013-1 OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT SERIES 2019 SPECIAL TAX BONDS

INTRODUCTION

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

General

This Official Statement, including the cover page, inside cover page, and appendices hereto, is provided to furnish information regarding the Community Facilities District No. 2013-1 of the Temecula Valley Unified School District Series 2019 Special Tax Bonds (the “**Bonds**”).

The Bonds are issued pursuant to the Act (as defined below), Resolution No. 2018-19/21 adopted on March 19, 2019 (the “**Resolution of Issuance**”), by the Legislative Body of Community Facilities District No. 2013-1 of the Temecula Valley Unified School District (the “**Community Facilities District**”) and a Fiscal Agent Agreement, dated as of April 1, 2019 (the “**Fiscal Agent Agreement**”), by and between the Community Facilities District and U.S. Bank National Association, as fiscal agent (the “**Fiscal Agent**”). See “THE BONDS – Authority for Issuance” herein. The Community Facilities District may issue additional bonds payable on a parity with the Bonds for refunding purposes only. See “SECURITY FOR THE BONDS – Additional Bonds for Refunding Purposes Only.” Capitalized terms used herein but not otherwise defined have the meanings given them in the Fiscal Agent Agreement.

Changes to the Official Statement from the Preliminary Official Statement

The information in the Preliminary Official Statement relating to the City of Murrieta on pages B-1, B-5, B-7 and B-9 was incorrect and has been corrected in the Official Statement.

The School District

The Temecula Valley Unified School District (the “**School District**”), a political subdivision of the State of California (the “**State**”), was organized as a unified school district of the State in 1989 and provides public education for grades kindergarten through twelve within an area of approximately 213 square miles located in the southwest portion of Riverside County (the “**County**”). The School District reported 28,242 students (excluding charter schools) enrolled at the California Longitudinal Pupil Achievement Data System (“**CALPADS**”) (formerly California Basic Educational Data System (“**CBEDS**”)) for Fiscal Year 2018-19.

The Community Facilities District

The Community Facilities District was formed and established by the School District on June 18, 2013, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of

the California Government Code, the “Act”), following a public hearing. At a landowner election held on June 18, 2013, the qualified electors of the Community Facilities District, by more than a two-thirds vote, authorized the Community Facilities District to incur bonded indebtedness for school facilities in the aggregate not-to-exceed amount of \$12,000,000 and approved the levy of Special Taxes (as defined herein).

Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified voters within a community facilities district and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes to repay such bonded indebtedness, including interest thereon.

The Community Facilities District is located in an unincorporated area of Riverside County, California. The Community Facilities District is located approximately 19 miles north of the City of Temecula City Hall, and within the sphere of influence of the City of Temecula. The Community Facilities District lies approximately two miles to the east of the City of Murrieta. The property is a portion of the master-planned community known as Rancho Bella Vista. The Community Facilities District is located approximately two miles east of Winchester Road (Highway 79), and to the west of the intersection of Honey Pine Road and Pourroy Road, with the French Valley Airport to the south. The Community Facilities District encompasses approximately 62.13 net acres.

The Community Facilities District has been developed into 442 single-family detached residential dwelling units. All of the homes within the Community Facilities District are owned by individual homeowners.

Detailed information about the location of and property ownership and land uses in the Community Facilities District is set forth in “COMMUNITY FACILITIES DISTRICT NO. 2013-1” herein.

Purpose of the Bonds

Proceeds of the Bonds will be used (i) to finance, either directly or indirectly, the acquisition and construction of certain school facilities, (ii) to fund a Reserve Fund for the Bonds in an amount equal to the Reserve Requirement (as defined herein), (iii) to pay capitalized interest through approximately September 1, 2019, and (iv) to pay certain costs of issuing the Bonds. See “FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS” and “COMMUNITY FACILITIES DISTRICT NO. 2013-1” herein.

Redemption of Bonds Before Maturity

The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from prepaid Special Taxes. See “THE BONDS – Redemption.”

Security and Sources of Payment for the Bonds

The Bonds are secured by and are payable from a first pledge of “**Net Taxes**,” which is defined within the Fiscal Agent Agreement as Gross Taxes minus Administrative Expenses (as defined below) up to a maximum of \$50,000.00 in Fiscal Year 2018-19 and escalating at 1% each Fiscal Year, commencing July 1, 2019 (the “**Administrative Expense Requirement**”). “**Gross Taxes**” are defined in the Fiscal Agent Agreement as the amount of all Special Taxes collected within the Community Facilities District as set out in the Rate and Method (as defined below) and net proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special

Taxes. “**Special Taxes**” as defined in the Fiscal Agent Agreement are the Special Taxes levied within the Community Facilities District by action of the Legislative Body pursuant to the Act, the Rate and Method of Apportionment of Special Tax (the “**Rate and Method**”), the Resolution of Formation (as defined below), Ordinance No. 2012-13-3, adopted by the Legislative Body of the Community Facilities District on July 16, 2013 (the “**Ordinance**”), providing for the levy of the Special Taxes, the voter approvals obtained at the June 18, 2013, special election held within the Community Facilities District, and the Act. “**Administrative Expenses**” generally include the administrative costs with respect to the calculation and collection of the Special Taxes and any other costs related to the Bonds and the Fiscal Agent Agreement, including the fees and expenses of the Fiscal Agent (including its legal counsel) and any persons, parties, consultants or attorneys employed pursuant to the covenants of the Fiscal Agent Agreement, costs and legal expenses of foreclosure actions or costs otherwise incurred by the Community Facilities District in order to carry out the authorized purposes of the Bonds.

Pursuant to the Act, the Rate and Method, the Resolution of Formation, the Ordinance and the Fiscal Agent Agreement, so long as the Bonds are Outstanding, the Community Facilities District will, subject to the Annual Maximum Special Tax (as defined in the Rate and Method), fix and levy the amount of Special Taxes within the Community Facilities District to provide, at a minimum, for amounts required for the payment of principal of and interest on Outstanding Bonds (as defined in the Fiscal Agent Agreement) becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure from, the Reserve Fund (as defined herein) for the Bonds, an amount equal to the Administrative Expense Requirement, reasonably anticipated delinquent Special Taxes (to the extent permitted under the Rate and Method), and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes. See “SECURITY FOR THE BONDS – Special Taxes” herein.

Pursuant to the Act, all lands owned by a public entity within the Community Facilities District are exempt from the levy of the Special Tax, *unless* the public entity acquires the property after the recordation of the Notice of Special Tax Lien, in which case the public entity will be obligated to pay the Special Tax, subject to certain limitations. The Rate and Method exempts from the Special Tax all property conveyed or irrevocably dedicated to a public agency, land which is in the public right-of-way, unmanned utility easements which make utilization for other than the purpose set forth in the easement impractical, common areas, homeowners association property, private streets, school, parks and open space lots. Except as set forth above, the Governing Board of the School District (the “**Board**”) will not levy any Special Taxes on properties which are owned by the State, Federal or other local governments, as well as certain other properties, subject to certain limitations. Nonresidential Property will not be subject to the levy of Special Taxes but are subject to applicable statutory fees. See “SECURITY FOR THE BONDS – Rate and Method” and “BONDOWNERS’ RISKS – Exempt Properties.”

The Bonds are further secured by a first pledge of all moneys deposited in the Reserve Fund. See “SECURITY FOR THE BONDS.” The Reserve Fund will be established out of the proceeds of the sale of the Bonds, in an amount equal to the Reserve Requirement. “**Reserve Requirement**” with respect to the Bonds is defined in the Fiscal Agent Agreement as an amount, as of any date of calculation, equal to the least of (i) 10% of the original principal amount of the Bonds, less original discount if any, plus original issue premium, if any, (ii) Maximum Annual Debt Service on the Bonds (as defined in the Fiscal Agent Agreement), or (iii) 125% of average Annual Debt Service on the Bonds (as defined in the Fiscal Agent Agreement). The ability of the Board, in its capacity as Legislative Body of the Community Facilities District, to increase the Special Taxes levied to replenish the Reserve Fund is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of the Community Facilities District and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District. The moneys in the Reserve Fund will only be used for payment of principal of, interest and any redemption premium on, the Bonds, and at the direction of the Community Facilities District, for payment of rebate

obligations related to the Bonds and making transfer for principal of and interest on the Bonds in connection with prepayments of the Special Taxes. Except for Excess Investment Earnings amounts required for payment of rebate obligations, moneys in the Reserve Fund in excess of the Reserve Requirement two business days prior to each Interest Payment Date will be withdrawn and deposited to the Interest Account of the Bond Fund. See “SECURITY FOR THE BONDS – Reserve Fund.”

The Community Facilities District will covenant in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant, see “SECURITY FOR THE BONDS – Proceeds of Foreclosure Sales.”

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

Assessed Values

Assessed Value of Homes; Value-to-Debt Ratios. The aggregate assessed value for Fiscal Year 2018-19 of the properties is \$189,886,132.

The assessed values of the 442 completed single-family detached homes results in an estimated aggregate value-to-debt ratio of 22.68:1, calculated with respect to estimated direct and overlapping tax and assessment debt set forth in Table 5 in the section captioned “COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Direct and Overlapping Debt,” including general obligation bonds issued by the School District, the Metropolitan Water District of Southern California and Mt. San Jacinto Community College District. The value-to-debt ratios of individual parcels will differ from the aggregate values presented below. See “BONDOWNERS’ RISKS – Value-to-Debt Ratios,” and “ – Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property.”

See “COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Assessed Values; Value-to-Debt Ratios.” See “COMMUNITY FACILITIES DISTRICT No. 2013-1 – Direct and Overlapping Debt.” See also “BONDOWNERS’ RISKS – Value-to-Debt Ratios” and “ – Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property” herein.

Tax Exemption

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

disposition of, or the accrual or receipt of interest on, the Bonds. See “LEGAL MATTERS – Tax Exemption” herein.

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

Risk Factors Associated with Purchasing the Bonds

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

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 caption “COMMUNITY FACILITIES DISTRICT NO. 2013-1 – General Information” herein.

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 COMMUNITY FACILITIES DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will serve as the paying agent, registrar, authentication and transfer agent for the Bonds and will perform the functions required of it under the Fiscal Agent Agreement for the payment of the principal of and interest and any premium on the Bonds and all activities related to the redemption of the Bonds. Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California is serving as Bond Counsel to the Community Facilities District and as Special Counsel to the School District. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is acting as Disclosure Counsel (“**Disclosure Counsel**”). Stifel, Nicolaus & Company, Incorporated is acting as Underwriter (the “**Underwriter**”) in connection with the issuance and delivery of the Bonds. Kutak Rock LLP, Irvine, California, is acting as Underwriter’s Counsel. Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as Municipal Advisor.

Special District Financing & Administration, LLC, Escondido, California, is acting as Special Tax Consultant, administrator and initial Dissemination Agent to the Community Facilities District.

Payment of the fees and expenses of Bond Counsel, Special Counsel to the School District, Disclosure Counsel, the Underwriter, Underwriter's Counsel, the Fiscal Agent and Municipal Advisor is contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Bonds, certain sections of the Fiscal Agent Agreement, security for the Bonds, special risk factors, the Community Facilities District, the School District and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of such documents may be obtained from the Office of the Assistant Superintendent of Business Support Services of the Temecula Valley Unified School District, 31350 Rancho Vista Road, Temecula, California 92592.

CONTINUING DISCLOSURE

The Community Facilities District will covenant in the Continuing Disclosure Certificate, substantially in the form set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” (the “**Continuing Disclosure Certificate**”), for the benefit of Owners and beneficial owners of the Bonds, to provide annually certain financial information and operating data relating to the Community Facilities District and the Bonds by not later than February 15 in each year commencing on February 15, 2020 (the “**Community Facilities District Annual Report**”), and to provide notices of the occurrence of certain enumerated events.

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

No Prior Undertakings by the Community Facilities District; Prior Undertakings by the School District and other Community Facilities Districts formed by the School District. The Community Facilities District has no prior disclosure undertakings. A review of prior undertakings by the School District and other community facilities districts formed by the School District did not identify any instances during the past five years in which the School District or a community facilities district has not complied in all material respects with its prior continuing disclosure undertakings under the Rule. The School District believes it has established procedures to facilitate making required filings on a timely basis.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be used and/or deposited into the following respective accounts and funds established by the Community Facilities District under the Fiscal Agent Agreement, as follows:

Sources:

Principal Amount of Bonds	\$7,155,000.00
<i>Plus:</i> Net Original Issue Premium	835,318.00
<i>Less:</i> Underwriter's Discount	<u>(107,325.00)</u>
<i>Total Sources</i>	\$7,882,993.00

Uses:

Deposit into the School Facilities Account of the Construction Fund	\$7,132,267.31
Deposit into the Reserve Fund	459,775.00
Deposit into Capitalized Interest Subaccount of the Bond Fund	125,950.69
Deposit into the Costs of Issuance Account of the Construction Fund ⁽¹⁾	<u>165,000.00</u>
<i>Total Uses</i>	\$7,882,993.00

- ⁽¹⁾ Includes among other things, the fees and expenses of Bond Counsel, Special Counsel, Disclosure Counsel, the cost of printing the preliminary and final Official Statements, fees and expenses of the Fiscal Agent, the fees of the Municipal Advisor and the fees of the Special Tax Consultant.

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FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS

The Community Facilities District is authorized to finance facilities with a five year estimated useful life or longer, including the design, planning, acquisition, installation, construction, and/or financing of interim and permanent school facilities, including, but not limited to, classrooms, multi-purpose, administration and auxiliary space at a school, central support and administrative facilities and special education facilities, together with furniture, equipment and technology, in addition to all land or interests in land required for the construction of such on-site or off-site facilities and all land or interests in land required to be provided by the Community Facilities District as mitigation or impacts associated with the development of such Facilities all with a useful life of five years or longer. Facilities also includes the attributable costs of engineering, design, planning, materials testing, coordination, construction staking and construction, together with the expense related to issuance and sale of the Bonds. It is anticipated that Bond proceeds will be used, together with other available funds, in connection with construction of the K-8 STEAM Academy at the corner of Abelia and Washington Streets in French Valley.

The School District, Community Facilities District No. 2002-1 of the Temecula Valley Unified School District and Lennar Homes of California, Inc. entered into a Second Amended Mitigation Agreement and Implementation Agreement, made and entered into as of June 18, 2013, which provides for the funding of Facilities and the satisfaction of the mitigation payment obligations with respect to the property within the Community Facilities District through formation of the Community Facilities District.

THE BONDS

Authority for Issuance

The Bonds will be issued pursuant to the Act, the authorizations approved by the electors within the Community Facilities District, the Fiscal Agent Agreement and the Resolution of Issuance. See “COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Authority for Issuance” herein.

General Provisions

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

The Bonds will bear interest at the rates set forth on the inside cover hereof payable on the Interest Payment Dates in each year. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bonds will be payable from the Interest Payment Date next preceding the date of authentication 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 (as defined below) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the

close of business on the first Record Date, in which event interest will be payable from the dated date of such Bonds; *provided, however*, that if at the time of authentication of a Bond, interest is in default, interest on that Bond shall be payable from the last date on which the interest has been paid or made available for payment, or if no interest has been paid or made available for payment, interest shall be payable from the dated date of such Bond. “**Record Date**” means the 15th day (whether or not such day is a Business Day) of the calendar month preceding an Interest Payment Date.

Interest on the Bonds shall be paid by check of the Fiscal Agent mailed to the registered Bondowner of the Bonds (the “**Bondowners**” or “**Owners**”) by first class mail at his or her address as it appears on the Bond Register (as defined in the Fiscal Agent Agreement) as of the Record Date; *provided* that, in the case of an Owner of \$1,000,000 or more in aggregate principal amount of the Bonds, upon the Fiscal Agent’s receipt of written request of such Owner prior to the Record Date accompanied by wire transfer instructions, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States of America. The principal of the Bonds and any premium due upon redemption on the Bonds are payable by check in lawful money of the United States of America upon presentation of the Bonds at the Principal Corporate Trust Office of the Fiscal Agent (currently located in Los Angeles, California).

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Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming that there are no optional redemptions or mandatory redemptions from prepayment of Special Taxes.

Year Ending September 1	Principal	Interest	Total Debt Service
2019	--	\$125,950.69	\$125,950.69
2020	\$120,000	338,375.00	458,375.00
2021	125,000	334,775.00	459,775.00
2022	130,000	329,775.00	459,775.00
2023	135,000	324,575.00	459,575.00
2024	140,000	319,175.00	459,175.00
2025	145,000	312,175.00	457,175.00
2026	150,000	304,925.00	454,925.00
2027	160,000	297,425.00	457,425.00
2028	165,000	289,425.00	454,425.00
2029	175,000	281,175.00	456,175.00
2030	180,000	272,425.00	452,425.00
2031	190,000	263,425.00	453,425.00
2032	200,000	253,925.00	453,925.00
2033	210,000	243,925.00	453,925.00
2034	220,000	233,425.00	453,425.00
2035	230,000	222,425.00	452,425.00
2036	240,000	210,925.00	450,925.00
2037	255,000	198,925.00	453,925.00
2038	260,000	190,637.50	450,637.50
2039	270,000	181,862.50	451,862.50
2040	275,000	172,750.00	447,750.00
2041	290,000	159,000.00	449,000.00
2042	305,000	144,500.00	449,500.00
2043	320,000	129,250.00	449,250.00
2044	335,000	113,250.00	448,250.00
2045	350,000	96,500.00	446,500.00
2046	365,000	79,000.00	444,000.00
2047	385,000	60,750.00	445,750.00
2048	405,000	41,500.00	446,500.00
2049	425,000	21,250.00	446,250.00
	<u>\$7,155,000</u>	<u>\$6,547,400.69</u>	<u>\$13,702,400.69</u>

Source: Stifel, Nicolaus & Company, Incorporated.

Redemption

Optional Redemption. The Bonds maturing on or before September 1, 2026, are not subject to optional redemption. The Bonds maturing on or after September 1, 2027, may be redeemed prior to maturity at the option of the Community Facilities District on any Interest Payment Date, on or after September 1, 2026, in whole, or in part in the order of maturity as selected by the Community Facilities District and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds called for redemption at the following redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed), together with interest accrued thereon to the date fixed for redemption.

Redemption Dates	Redemption Price
September 1, 2026 and March 1, 2027	103%
September 1, 2027 and March 1, 2028	102
September 1, 2028 and March 1, 2029	101
September 1, 2029 and any Interest Payment Date thereafter	100

Special Mandatory Redemption from Prepaid Special Taxes. The Bonds are subject to special mandatory redemption prior to their stated maturities, in whole, or in part, on March 1, 2020, or any Interest Payment Date thereafter for which timely notice can be given, in integral multiples of \$5,000 from moneys on deposit in the Prepayment Account of the Special Tax Fund, plus amounts transferred from the Reserve Fund pursuant to the Fiscal Agent Agreement, upon payment of the following redemption prices, expressed as a percentage of the principal thereof, plus accrued interest to the date fixed for redemption.

Redemption Dates	Redemption Price
March 1, 2020 through and including March 1, 2027	103%
September 1, 2027 and March 1, 2028	102
September 1, 2028 and March 1, 2029	101
September 1, 2029 and any Interest Payment Date thereafter	100

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

Redemption Year (September 1)	Principal Amount
2040	\$275,000
2041	290,000
2042	305,000
2043	320,000
2044 (maturity)	335,000

The Term Bonds maturing on September 1, 2049 (the “**2049 Term Bonds**” and together with the 2044 Term Bonds, the “**Term Bonds**”), are subject to mandatory sinking fund redemption in part by lot, on September 1 of each year, commencing 2045, and on each September 1 thereafter in accordance with the schedule set forth below. The 2049 Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such 2049 Term Bonds to be redeemed, plus accrued but unpaid interest, without premium, as follows:

Redemption Year (September 1)	Principal Amount
2045	\$350,000
2046	365,000
2047	385,000
2048	405,000
2049 (maturity)	425,000

The amounts in the foregoing tables shall be reduced as a result of any prior partial redemption of the Bonds pursuant to an optional redemption or special mandatory redemption from Prepaid Special Taxes as provided in the Fiscal Agent Agreement.

Purchase In Lieu of Redemption. In lieu of, or partially in lieu of, any optional redemption, mandatory redemption from prepaid Special Taxes and/or mandatory sinking fund redemption, moneys deposited in an account of the Redemption Fund (the “**Redemption Fund**”) established pursuant to the Fiscal Agent Agreement may be used to purchase the Outstanding Bonds that were to be redeemed with such funds. Purchases of Outstanding Bonds may be made by the Community Facilities District prior to the selection of Bonds for redemption by the Fiscal Agent, at public or private sale as and when and at such prices as the Community Facilities District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, and in the case of funds in the Optional Redemption Account or the Mandatory Redemption Account, the applicable premium to be paid in connection with the proposed redemption. Any accrued interest payable upon the purchase of Bonds may be paid from the Interest Account of the Bond Fund for payment of interest on the next following Interest Payment Date.

Notice of Redemption. When the Fiscal Agent shall receive notice from the Community Facilities District of its election to redeem Bonds, or when the Fiscal Agent is required to redeem Bonds, the Fiscal Agent shall give notice, in the name of the Community Facilities District of the redemption of such Bonds. Such notice of redemption shall: (i) specify the CUSIP® numbers and serial numbers of the Bonds selected for redemption, except that where all the Bonds or all Bonds of a single maturity are subject to redemption, the serial numbers thereof need not be specified; (ii) state the original issue date, the interest rate and the maturity date of the Bond selected for redemption; (iii) state the date fixed for redemption; (iv) state the redemption price; (v) state the place or places where the Bonds are to be redeemed; and (vi) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed. Such notice shall further state that, on the date fixed for redemption, there shall 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 shall cease to accrue and be payable.

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

Partial Redemption. Upon surrender of any Bond to be redeemed in part only, the Community Facilities District shall execute and the Fiscal Agent shall authenticate and deliver to the Bondowner, at the expense of the Community Facilities District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount and maturity to the unredeemed portion of the Bond surrendered.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Fiscal Agent Agreement, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) The Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Fiscal Agent Agreement, anything in the Fiscal Agent Agreement, or in the Bonds, to the contrary notwithstanding;

(b) Upon presentation and surrender thereof at the Principal Corporate Trust Office of the Fiscal Agent, or such other location as may be designated by the Fiscal Agent, such Bond shall be redeemed at the said redemption price;

(c) From and after the redemption date, the Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or portions thereof shall cease to bear further interest; and

(d) From and after the date fixed for redemption, no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of this Fiscal Agent Agreement, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

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

Any notice of optional redemption or of special mandatory redemption from prepaid Special Taxes under the Fiscal Agent Agreement may be cancelled and annulled if for any reason funds are not, or will not, be available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. Such cancellation and annulment is not a default under the Fiscal Agent Agreement. The Community Facilities District will not have any liability to the Bondowners, or any other party, as a result of the Community Facilities District's failure to redeem the Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the Community Facilities District may rescind any optional redemption of the Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written

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

Registration, Transfer and Exchange

Registration. Subject to the provisions relating to book-entry bonds, the Fiscal Agent will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient records for the registration and transfer of the Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the Community Facilities District; and, upon presentation for such purpose, the Fiscal Agent shall, under reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds. The Community Facilities District and the Fiscal Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of principal, interest and premium, if any, with respect to such Bond, for the purpose of giving notices of redemption, if applicable, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever.

Registration of Exchange or Transfer. Subject to the provisions relating to book-entry bonds, the registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Fiscal Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney. Bonds may be exchanged at the Principal Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount and maturity of Bonds of other authorized denominations. The Fiscal Agent may charge the Bondowner any tax or other governmental charge required with respect to such transfer or exchange. Whenever any Bonds shall be surrendered for registration of transfer or exchange, the Community Facilities District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond, for like aggregate principal amount and maturity; *provided*, that the Fiscal Agent shall not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date established by the Fiscal Agent for selection of the Bonds to be redeemed or (ii) any Bonds chosen for redemption.

Book-Entry and DTC

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX G – "BOOK-ENTRY SYSTEM."

SECURITY FOR THE BONDS

General

The Bonds are secured by a first pledge of all of the Net Taxes of the Community Facilities District and all moneys deposited in the accounts in the Bond Fund (the “**Bond Fund**”) established pursuant to the Fiscal Agent Agreement, the accounts in the Redemption Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund (exclusive of the Administrative Expense Requirement). Pursuant to the Act and the Fiscal Agent Agreement, the Community Facilities District will fix and levy the amount of Special Taxes on taxable property within the Community Facilities District to provide, at a minimum for amounts required for the payment of principal of and interest on Outstanding Bonds becoming due and payable during the ensuing year, including any necessary replenishment to, or expenditure from, the Reserve Fund for the Bonds an amount equal to the Administrative Expense Requirement, reasonably anticipated delinquent Special Taxes (to the extent permitted under the Rate and Method), and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes. The Net Taxes of the Community Facilities District and all moneys deposited into the accounts in said funds (exclusive of the Administrative Expense Requirement) (until disbursed as provided in the Fiscal Agent Agreement), the Construction Fund (and its accounts), the Residual Fund and the Rebate Fund) are pledged to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities (as defined in the Fiscal Agent Agreement) have been set aside irrevocably for that purpose. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT – Defeasance.”

The Rate and Method establishes levying Special Taxes first on Developed Property at the Annual Maximum Special Tax – Developed Property and second on Undeveloped Property levied proportionately on each Assessor’s Parcel of Undeveloped Property at up to 100% of the Annual Maximum Special Tax – Undeveloped Property. See “ – Special Taxes” and “ – Rate and Method.”

Notwithstanding any provision contained in the Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Administrative Expense Fund, the Residual Fund, and the Rebate Fund shall no longer be considered to be pledged to the Bonds and the Administrative Expense Fund, the Construction Fund (and its accounts), the Residual Fund, and the Rebate Fund shall not be construed as trust funds held for the benefit of the Bondowners. The Facilities constructed and acquired with the proceeds of the Bonds are not in any way pledged to pay, or security for, the debt service on the Bonds. Any proceeds of condemnation or destruction of any Facilities financed with the proceeds of the Bonds are not pledged to pay the debt service on any Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Special Taxes

Subject to the maximum Special Tax rates, the Community Facilities District will covenant in the Fiscal Agent Agreement to comply with all requirements of the Act so as to assure the timely collection of Special Taxes, including, without limitation, the enforcement of delinquent Special Taxes. The Fiscal Agent Agreement provides that the Special Taxes are payable and will be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and will have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property; provided the Community Facilities District may provide for direct collection of the Special Taxes in certain circumstances.

The Special Tax levy is limited to the Annual Maximum Special Tax rates set forth in the Rate and Method. The Annual Maximum Special Tax - Developed Property ranges from \$1,051.26 to \$1,683.40 per dwelling unit and the Annual Maximum Special Tax – Undeveloped Property is \$10,235.00 per acre. No assurance can be given that, in the event of Special Tax delinquencies, the receipt of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds. Fiscal Year 2014-15 was the first year in which Special Taxes were levied on property within the Community Facilities District.

Although the Special Taxes, when levied, will constitute a lien on parcels subject to taxation within the Community Facilities District, such lien does not constitute a personal indebtedness of the owners of property within the Community Facilities District. There is no assurance that the owners of real property in the Community Facilities District will be financially able to pay the Special Tax or that they will pay such tax even if financially able to do so. See “BONDOWNERS’ RISKS” herein.

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

Rate and Method

General. On June 18, 2013, pursuant to the request of the landowners at such time and the provisions of the Act, the School District established Community Facilities District No. 2013-1. The qualified electors of the Community Facilities District approved the Rate and Method on June 18, 2013. Pursuant to such proceedings, the Special Tax may be levied and collected against all Taxable Property (as defined below) within the Community Facilities District according to the Rate and Method, a copy of which is set forth in APPENDIX C – “RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2013-1.” Capitalized terms used in the following paragraphs but not defined herein have the meanings given them in the Rate and Method.

Rate and Method. The Rate and Method provides the means by which the Board may annually levy the Special Taxes within the Community Facilities District up to the applicable Annual Maximum Special Tax. The Bonds are to be issued (i) to finance, either directly or indirectly, the Facilities, (ii) to fund a Reserve Fund for the Bonds, (iii) to pay capitalized interest through approximately September 1, 2019, and (iv) to pay the costs of issuing the Bonds. The Bonds are secured by the Net Taxes. The Rate and Method provides that the Annual Maximum Special Tax – Developed Property shall be levied for a period not to exceed thirty-five (35) years for each Dwelling Unit classified as Developed Property. A copy of the Rate and Method is included in APPENDIX C hereto.

Developed and Undeveloped Property; Exempt Property. The Rate and Method provides that for each Fiscal Year, all Assessor’s Parcels of Taxable Property within the Community Facilities District shall be classified as Developed Property, Undeveloped Property or Exempt Property and shall be subject to Special Taxes in accordance with the Rate and Method.

(i) **“Developed Property”** means Assessor Parcels for which a building permit has been issued by the applicable agency on or before the March 1 prior to each Fiscal Year which is not Exempt

Property and for which the Annual Maximum Special Tax – Developed Property obligation has not been fully prepaid and/or permanently satisfied. Assessor Parcels for which a building permit has been issued by the applicable agency on or before March 1 shall be designated as Developed Property and subject to the levy of the Annual Maximum Special Tax – Developed Property in the following Fiscal Year. If a building permit has been issued for which the improvements to be constructed by the building permit, together with previously issued building permits, if applicable, does not constitute the ultimate development of the entire Assessor’s Parcel, as reasonably determined by the Community Facilities District, the remaining undeveloped portion of the Assessor’s Parcel will be classified as Undeveloped Property and will be subject to the levy of the Annual Maximum Special Tax – Undeveloped Property pursuant to the Rate and Method.

(ii) **“Undeveloped Property”** means all Assessor Parcels of Taxable Property that are not classified as Developed Property or Exempt Property.

(iii) **“Taxable Property”** means all Assessor Parcels, except Exempt Property, that are subject to the levy of the Special Taxes. Assessor’s Parcels within the boundaries of the Community Facilities District may prepay Special Taxes pursuant to Sections 6 and 7 of the Rate and Method or, be exempt from the Special Tax pursuant to law or Section 6 of the Rate and Method.

(iv) **“Exempt Property”** means all Assessor Parcels which are exempt from the Special Tax pursuant to law or Section 8 of the Rate and Method.

Maximum Special Tax Rate.

Developed Property. The Annual Maximum Special Tax for each Assessor’s Parcel of Residential Property that is classified as Developed Property shall be the amount derived by application of the Annual Maximum Special Tax – Developed Property.

The Annual Maximum Special Tax – Developed Property for each Assessor’s Parcel of Developed Property ranges from \$1,051.26 to \$1,683.40 per Dwelling Unit for Fiscal Year 2019-20. The Annual Maximum Special Tax – Developed Property does not escalate. See APPENDIX C – “RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Section 3.”

As indicated above, under the Rate and Method, the Community Facilities District levies on Developed Property in an amount equal to the Annual Maximum Special Tax. A portion of the Special Tax Requirement may be utilized for acquisition and/or construction of school facilities. In the event the Community Facilities District were to levy Special Taxes on Developed Property at less than the Annual Maximum Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by the Community Facilities District, under no circumstances will the Special Tax levied in any Fiscal Year against any parcel within the Community Facilities District used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the Community Facilities 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. For such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued.

Undeveloped Property. The Annual Maximum Special Tax for Undeveloped Property within the Community Facilities District is \$10,235.00 per Acre.

Method of Apportionment. The Community Facilities District shall levy the Special Tax as follows:

First: The Annual Maximum Special Tax – Developed Property shall be levied on each Assessor’s Parcel which is classified as Developed Property; and

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the Bonds have been issued and after taking into account moneys to be levied on Developed Property pursuant to the first step above, the Board will then levy such additional amount by proportionately levying the Annual Maximum Special Tax – Undeveloped Property on each Assessor’s Parcel which is classified as Undeveloped Property up to 100% of the Annual Maximum Special Tax – Undeveloped Property for such Undeveloped Property.

Prepayment of Special Taxes in Part. The Annual Maximum Special Tax – Developed Property on an Assessor’s Parcel for which a building permit has been issued or a Certificate of Compliance is requested, by notifying the Community Facilities District in writing, may be partially prepaid, provided an Assessor’s Parcel of Developed Property may only be partially prepaid prior to the close of escrow of a sale to the initial home buyer. The amount of the prepayment shall be determined as specified in APPENDIX C – “RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Section 6” hereto. As of March 21, 2019, no Special Taxes have been partially prepaid prior to close of escrow of the sale to the initial home buyer.

Prepayment of Special Taxes in Full. The Annual Maximum Special Tax – Developed Property may only be prepaid and permanently satisfied by an Assessor’s Parcel of Developed Property pursuant to Section 7 of the Rate and Method. The Annual Maximum Special Tax obligation applicable to such Assessor’s Parcel may be fully prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described in the Rate and Method; *provided* that a prepayment may be made only if the property owner also pays the current year’s Fiscal Year levy and all delinquent Special Taxes, interest and penalties, if any, owing on the applicable Assessor’s Parcel to the County on which prepayment is being made. In addition, no prepayment will be allowed unless the amount of the authorized Annual Maximum Special Taxes that may be levied on all Taxable Property within the Community Facilities District after the proposed prepayment is at least 1.1 times the annual debt service on the then-outstanding Bonds. As of March 21, 2019, no Special Taxes have been prepaid with respect to any homes within the Community Facilities District. The Prepayment Amount for an Assessor’s Parcel shall be determined as specified in APPENDIX C – “RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Section 7” hereto.

Proceeds of Foreclosure Sales

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

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

Under the Fiscal Agent Agreement, in order to determine if there are delinquencies with respect to the payment of the Special Taxes, not later than August 1 of each Fiscal Year, the Community Facilities District will compare the amount of Special Taxes theretofore levied in the prior Fiscal Year to the amount of Special Taxes theretofore reported by the County as paid and received.

Individual Delinquencies. If the Community Facilities District determines that any single parcel within the Community Facilities District is delinquent in the payment of all or a portion of three semi-annual installments of Special Taxes, then the Community Facilities District shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within forty-five (45) days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Community Facilities District as to each parcel that received the delinquency notification within one hundred twenty (120) days of such determination, to the extent permissible under applicable law.

Aggregate Delinquencies. If the Community Facilities District determines that (i) the total amount of delinquent Special Taxes for the prior Fiscal Year for the Community Facilities District (including the total of delinquencies under “*Individual Delinquencies*” above) exceeds five percent (5%) of the total Special Taxes due and payable for the prior Fiscal Year, and (ii) the Reserve Fund is less than the Reserve Requirement, the Community Facilities District shall notify, or cause to be notified, property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within forty-five (45) days of such determination, and shall commence foreclosure proceedings within one hundred twenty (120) days of such August 1 determination against each parcel of land within the Community Facilities District that received the delinquency notification with a Special Tax delinquency, to the extent permissible under applicable law and shall thereafter diligently proceed with such foreclosure action(s) and/or proceedings in Superior Court to the extent permitted by law.

Limiting Provision. The Community Facilities District shall not be required to order, or take action upon, the commencement of foreclosure proceedings under “*Individual Delinquencies*” and/or “*Aggregate Delinquencies*” above, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the balance of funds in the Reserve Fund will fall below the Reserve Requirement and no draw has been made on the Reserve Fund, which has not been restored, such that the Reserve Fund shall be funded to at least the Reserve Requirement.

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

The net proceeds received following a judicial foreclosure sale of land within the Community Facilities District resulting from a property owner’s failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Bonds pursuant to the Fiscal

Agent Agreement. See “BONDOWNERS’ RISKS – Insufficiency of the Special Tax,” “ – Potential Delay and Limitations in Foreclosure Proceedings” and “ – Bankruptcy and Foreclosure Delay.”

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

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

- (i) The Community Facilities District, in the Fiscal Agent Agreement, is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act, or such lesser amount as determined under clause (ii) below or otherwise under Section 53356.6 of the Act.
- (ii) Pursuant to the Fiscal Agent Agreement, the Community Facilities District may permit, in its sole and absolute discretion, property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bondowners. The Bondowners, by their acceptance of the Bonds, in the Fiscal Agent Agreement are deemed to consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the Community Facilities District and the School District, and their respective officers and agents, from any liability in connection therewith. If such sale for lesser amounts would result in less than full payment of principal of and interest due and owing on the Bonds, the Community Facilities District will use its best efforts to seek approval of the Bondowners.

Subject to the preceding paragraphs, pursuant to the Fiscal Agent Agreement, the Community Facilities District covenants that the Community Facilities District will not, in collecting the Special Taxes within the Community Facilities District or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to the Act regarding waiver of Special Tax delinquency penalties and redemption penalties or acceptance of bonds tendered in satisfaction of an obligation arising from a delinquent Special Taxes in any manner which would be inconsistent with the interests of the Owners and, in particular, will not permit the tender of Bonds in full or partial payment of Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the Community Facilities District having insufficient Net Taxes to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

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

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. See “BONDOWNERS’ RISKS – Potential Delay and

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

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

If the Reserve Fund is depleted and delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. Within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property within the Community Facilities District in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the Bonds and to replenish the Reserve Fund. However, the Special Taxes are currently levied at the Annual Maximum Special Tax rates and there is no assurance that the Annual Maximum Special Taxes collected will be at all times sufficient to pay the amounts required to be paid on the Bonds by the provisions of the Fiscal Agent Agreement. The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters and by the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District. See “SECURITY FOR THE BONDS – Rate and Method.”

Special Tax Fund

Pursuant to the Fiscal Agent Agreement, the Special Taxes and other amounts constituting Gross Taxes collected by the Community Facilities District shall be transferred (exclusive of Prepaid Special Taxes received which shall be deposited into the Prepayment Account of the Special Tax Fund), no later than 10 days after receipt thereof to the Fiscal Agent and shall be held in trust in the Special Tax Fund for the benefit of the Community Facilities District and the Bondowners (exclusive of the Administrative Expense Requirement) and shall, exclusive of Prepaid Special Taxes, be transferred from the Special Tax Fund, in the following order of priority and at the times and in the amounts and in accordance with the provisions of the Fiscal Agent Agreement:

- (i) To the Administrative Expense Fund, an amount equal to the Administrative Expense Requirement.
- (ii) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account one business day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

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

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

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

(vi) Provided all the amounts due in the current Bond Year are funded under (ii), (iii), (iv) and (v) above to the extent that Administrative Expenses are not fully satisfied under (i) above, to the Administrative Expense Fund in the amount(s) required to bring the balance therein to the amount identified by the Community Facilities District required to the Fiscal Agent to meet such additional Administrative Expenses (over and above the Administrative Expense Requirement) in the coming Fiscal Year, or Administrative Expense from a prior Fiscal Year which remain unpaid.

(vii) To the Redemption Fund, the amount, if any, that the Community Facilities District directs the Fiscal Agent to deposit in connection with an optional redemption pursuant to the Fiscal Agent Agreement.

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

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

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

Prepayment Account of the Special Tax Fund. Prepaid Special Taxes collected by the Community Facilities District from the area within the Community Facilities District (net of any costs of collection) shall be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent; and the Community Facilities District shall direct the Fiscal Agent to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes shall be held in trust in the Prepayment Account for the benefit of the Bonds and shall be transferred by the Fiscal Agent to the Mandatory Redemption Account of the Redemption Fund to call Bonds on the next Interest Payment Date for which notice can be given in accordance with the special mandatory redemption provisions of the Fiscal Agent Agreement and shall be applied to call Bonds pursuant to the Fiscal Agent Agreement. Moneys representing the Prepaid Special Taxes shall be invested in accordance with the provisions of the Fiscal

Agent Agreement. Investment earnings on amounts in the Prepayment Account not needed to redeem the Bonds pursuant to special mandatory redemption provisions of the Fiscal Agent Agreement shall be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Mandatory Redemption Account of the Redemption Fund.

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

Bond Fund

Two business days prior to each Interest Payment Date, commencing with the September 1, 2019, Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund, or the Reserve Fund in the event that sufficient moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to all of the principal and all of the interest due and payable on the Bonds on the ensuing Interest Payment Date, as applicable, less amounts on hand in the Bond Fund available to pay principal and/or interest on such Bonds. Notwithstanding the foregoing, amounts in the Bond Fund resulting from transfers from the Construction Fund pursuant to the provisions of the Fiscal Agent Agreement shall be used to pay the principal of and interest on such Bonds prior to the use of any other amounts in the Bond Fund for such purpose. The Fiscal Agent shall apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Bonds on each Interest Payment Date.

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

Within the Interest Account of the Bond Fund, there will be established a Capitalized Interest Subaccount. The Fiscal Agent shall, on the Delivery Date, deposit funds, as described in “ESTIMATED SOURCES AND USES OF FUNDS” above, into the Capitalized Interest Subaccount. On September 1, 2019 (interest to be funded to approximately September 1, 2019), the Fiscal Agent shall withdraw moneys from the Capitalized Interest Subaccount in an amount equal to the corresponding interest payment due on the Bonds (or the amount then held in the Capitalized Interest Subaccount if less than the interest payment due) and shall cause such amount to be deposited in the Interest Account of the Bond Fund for application on such Interest Payment Date. On September 2, 2019, the Fiscal Agent shall transfer any amounts then remaining in the Capitalized Interest Subaccount into the Interest Account of the Bond Fund and shall thereupon close the Capitalized Interest Subaccount.

Reserve Fund

In order to further secure the payment of principal of and interest on the Bonds, certain proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the Reserve Requirement (see “ESTIMATED SOURCES AND USES OF FUNDS” herein). Reserve Requirement is defined in the Fiscal Agent Agreement to mean with respect to the Bonds, an amount, as of any date of calculation, equal to the least of (i) 10% of the original principal amount of the Bonds, less original issue discount, if any, plus original issue premium, if any, (ii) Maximum Annual Debt Service on the Bonds, or (iii) 125% of average Annual Debt Service on the Bonds.

A draw on the Reserve Fund could occur as a result of Special Tax delinquencies. See “SECURITY FOR THE BONDS – Rate and Method.”

If Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original aggregate principal of the Bonds but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement) will be applied to the redemption of the Bonds.

Moneys in the Reserve Fund will be invested and deposited as described in “Investment of Moneys in Funds” below. Moneys in the Reserve Fund in excess of the Reserve Requirement (exclusive of Excess Investment Earnings) shall be withdrawn by the Fiscal Agent two business days prior to each Interest Payment Date and deposited in the Interest Account of the Bond Fund and thereafter applied for the purposes specified in such account as provided in the Fiscal Agent Agreement. The Fiscal Agent shall transfer Excess Investment Earnings from Reserve Fund earnings upon written direction of the Community Facilities District pursuant to the provisions of the Fiscal Agent Agreement.

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

Administrative Expense Fund

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

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

Residual Fund

As indicated above, any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Bonds (including payment of Mandatory Sinking Payments due during the current Bond Year), to restore the Reserve Fund, or to pay current or pending Administrative Expenses, shall, without further action by any party, be transferred by the Fiscal Agent on September 2 of each such year into the Residual Fund, which funds shall thereafter be used in accordance with the Fiscal Agent Agreement and be free and clear of any lien. **Moneys deposited into, or held within, the Residual Fund are not pledged to the payment of principal, interest or premiums on the Bonds.**

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in Authorized Investments (as defined below or in the Fiscal Agent Agreement), as directed by an Authorized Representative, that mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Moneys in the Reserve Fund may be invested in Authorized Investments which provide liquidity needed to satisfy any calls on funds in the Reserve Fund. Such liquidity shall provide that at least one half of the moneys in the Reserve Fund shall be available for draw in advance of any Interest Payment Date, except in the case of guaranteed investment contracts which may have a longer term. Such Authorized Investments shall not have a final maturity of greater than three years (except for guaranteed investments contracts). No such investment shall mature later than 15 days prior to the final maturity of the Bonds. In the absence of any direction from an Authorized Representative, subject to any limitations on investment yield or other limitations set forth in the Fiscal Agent Agreement, the Fiscal Agent will invest any such moneys in investments described in clause (j) (of the definition of Authorized Investments (relating to taxable or tax-exempt government money market portfolio mutual funds, including funds for which the Fiscal Agent or its affiliates or subsidiaries provide investment advisory or other management services). See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a definition of “Authorized Investments.”

Payment of Rebate Obligation

The Community Facilities District is required to calculate excess investment earnings in accordance with the requirements set forth in the Fiscal Agent Agreement. If necessary, the Community Facilities District may use amounts in the Reserve Fund not otherwise required to pay debt service or to maintain the Reserve Requirement, amounts on deposit in the Administrative Expense Fund and other funds available to the Community Facilities District to satisfy rebate obligations.

Additional Bonds for Refunding Purposes Only

The Community Facilities District shall not issue any additional bonds, notes or other similar evidences of indebtedness payable, in whole or in part, from Net Taxes except: (i) bonds issued to fully or partially refund the Outstanding Bonds; or (ii) subordinate bonds, notes or other similar evidences of indebtedness.

Special Taxes Are Not Within Teeter Plan

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

Special Taxes and Projected Debt Service Coverage

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

The Community Facilities District will covenant that no modification of the maximum authorized Special Taxes applicable to the Community Facilities District shall be approved by the Community

Facilities District which would prohibit the Community Facilities District from levying the Special Tax on Developed Property within the Community Facilities District in any Fiscal Year at such a rate as could generate Special Taxes within the Community Facilities District in each Fiscal Year at least equal to estimated annual Administrative Expenses plus 110% of Annual Debt Service. The ability of the Community Facilities District to increase the special tax levy on residential property is subject to limitations under the Act. See “BONDOWNERS’ RISKS.”

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Table 1
Community Facilities District No. 2013-1
of the Temecula Valley Unified School District
Projected Special Taxes and Estimated Debt Service Coverage

Year Ending (September 1)	Estimated Number of Parcels Categorized as Developed Property ⁽¹⁾	Net Special Tax Levy of the Annual Maximum Special Tax - Developed Property ⁽²⁾	Debt Service on the Bonds	Estimated Debt Service Coverage ⁽³⁾
2019	442	\$509,148.96	\$125,950.69 ⁽⁴⁾	NA
2020	442	508,648.96	458,375.00	110.97%
2021	442	508,143.96	459,775.00	110.52
2022	442	507,633.91	459,775.00	110.41
2023	442	507,118.76	459,575.00	110.35
2024	442	506,598.46	459,175.00	110.33
2025	442	506,072.95	457,175.00	110.70
2026	442	505,542.19	454,925.00	111.13
2027	442	505,006.12	457,425.00	110.40
2028	442	504,464.70	454,425.00	111.01
2029	442	503,917.85	456,175.00	110.47
2030	442	503,365.54	452,425.00	111.26
2031	442	502,807.71	453,425.00	110.89
2032	442	502,244.30	453,925.00	110.64
2033	442	501,675.25	453,925.00	110.52
2034	442	501,100.51	453,425.00	110.51
2035	442	500,520.03	452,425.00	110.63
2036	442	499,933.74	450,925.00	110.87
2037	442	499,341.59	453,925.00	110.01
2038	442	498,743.51	450,637.50	110.68
2039	442	498,139.46	451,862.50	110.24
2040	442	497,529.36	447,750.00	111.12
2041	442	496,913.17	449,000.00	110.67
2042	442	496,290.81	449,500.00	110.41
2043	442	495,662.23	449,250.00	110.33
2044	442	495,027.36	448,250.00	110.44
2045	442	494,386.14	446,500.00	110.72
2046	442	493,738.52	444,000.00	111.20
2047	442	493,084.41	445,750.00	110.62
2048	442	492,423.77	446,500.00	110.29
2049	442	491,756.51	446,250.00	110.20
Total	N/A	\$15,526,980.74	\$13,702,400.69	N/A

- ⁽¹⁾ 442 parcels had building permits issued as of March 1, 2018, and were taxed as Developed Property in Fiscal Year 2018-19.
⁽²⁾ Based on the projected levy of the Annual Maximum Special Tax - Developed Property which does not escalate less the Administrative Expense Requirement, the amount of which increases at 1% annually.
⁽³⁾ Calculated by dividing the net Annual Maximum Special Tax – Developed Property by the debt service on the Bonds.
⁽⁴⁾ To be paid from capitalized interest.

Sources: *Special District Financing & Administration LLC and the Underwriter.*

COMMUNITY FACILITIES DISTRICT NO. 2013-1

General Information

The Community Facilities District is located in an unincorporated area of Riverside County, California. The Community Facilities District is located approximately 19 miles north of the City of Temecula City Hall, and within the sphere of influence of the City of Temecula. The Community Facilities District lies to the east of the City of Murrieta. The property is a portion of the master-planned community known as Rancho Bella Vista. The Community Facilities District is located approximately two miles east of Winchester Road (Highway 79), and to the west of the intersection of Honey Pine Road and Pourroy Road, with the French Valley Airport to the south. The Community Facilities District encompasses approximately 62.13 net acres.

The Community Facilities District has been developed into 442 single-family detached residential dwelling units.

Utility services for parcels in the Community Facilities District are provided by EMWD (water and sewer), Southern California Edison Company (electricity) and Southern California Gas Company (natural gas).

Authority for Issuance

The Bonds are issued pursuant to the Act, the Resolution of Issuance and the Fiscal Agent Agreement. In addition, as required by the Act, the Board of the School District has taken the following actions with respect to establishing the Community Facilities District and authorizing issuance of the Bonds:

Resolution of Intention: On May 7, 2013, the Board adopted Resolution No. 2012-13/33 stating its intention to establish the Community Facilities District and to authorize the levy of a special tax therein pursuant to a Rate and Method for the Community Facilities District. On the same day the Board adopted Resolution No. 2012-13/34 stating its intention to incur bonded indebtedness in an amount not to exceed \$12,000,000 with respect to the Community Facilities District. The Community Facilities District will finance school facilities. See “FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS” herein.

Approval of Mitigation Agreement: The Board approved, by motion, the execution of the “Agreement for Mitigation of School Facility Impacts Between Temecula Valley Unified School District and Pacific Bay Homes” (the “**Original Owner**”), dated as of December 6, 1996 (the “**Original Mitigation Agreement**”). Rancho Bella Vista, LLC (the “**Prior Owner**”) acquired the development from the Original Owner, and obtained an assignment by the Original Owner to the Prior Owner of the Original Mitigation Agreement, and thereafter developed a portion of the master development. The Prior Owner and others subsequently entered into an agreement implementing the provision of the Original Mitigation Agreement, entitled “Agreement to Implement Formation of Community Facilities District,” dated as of February 1, 2002 (the “**Implementation Agreement**”) which Implementation Agreement contemplated the formation of Community Facilities District No. 2002-1 of the Temecula Valley Unified School District (“**CFD No. 2002-1**”). Lennar Homes of California, Inc., a California corporation (the “**Developer**”), acquired the property from the Prior Owner on January 22, 2010, and the property was located within the boundaries of Improvement Area No. 3 of CFD No. 2002-1. The Developer agreed to the formation of the Community Facilities District over the property to replace Improvement Area No. 3 of CFD No. 2002-1 which is further described and depicted in and pursuant to a Second Amended Mitigation Agreement and Implementation Agreement, dated as of June 18, 2013, by and among the School District, CFD No. 2002-1 and the

Developer (the “**Second Amended Mitigation Agreement and Implementation Agreement**” and the Original Mitigation Agreement, as heretofore amended, including as amended by the Second Amended Mitigation Agreement and Implementation Agreement, being the “**Mitigation Agreement**”). On June 18, 2013, the Board adopted Resolution No. 2012-13/43 which authorized the execution of the Second Amended Mitigation Agreement and Implementation Agreement.

Resolution of Formation: On June 18, 2013, the Board conducted the public hearings regarding the proposed formation of the Community Facilities District, the levy of Special Taxes and the incurring of bonded indebtedness. Immediately following the noticed public hearings, on June 18, 2013, the Board adopted Resolution No. 2012-13/44 (the “**Resolution of Formation**”), which established the Community Facilities District and authorized the levy of a Special Tax within the Community Facilities District pursuant to the Rate and Method.

Bond Authorization Resolution: On June 18, 2013, the Board adopted Resolution No. 2012-13/45 declaring the necessity to incur bonded indebtedness in an amount not to exceed \$12,000,000 within the Community Facilities District and submitting the proposition to the qualified electors of the Community Facilities District.

Landowner Election and Declaration of Results: On June 18, 2013, an election was held within the Community Facilities District in which the qualified electors approved the applicable ballot propositions authorizing the issuance of a maximum of \$12,000,000 in bonds to finance the acquisition and construction of the school facilities. The propositions approved the levy of a Special Tax in accordance with the Rate and Method and the establishment of an appropriations limit for the Community Facilities District.

Canvass of Votes: On June 18, 2013, the Board adopted Resolution No. 2012-13/46 pursuant to which the Board approved the canvass of the votes for the election.

Special Tax Lien and Levy: The Notice of Special Tax Lien for the Community Facilities District providing notice of the Rate and Method as a result of the June 18, 2013, proceedings was recorded in the real property records of Riverside County on June 20, 2013, as Instrument No. 2013-0294268.

Ordinance Levying Special Taxes: On July 16, 2013, the Board adopted Ordinance No. 2012-13-3 levying the special tax within the Community Facilities District.

Resolution Authorizing Issuance of the Bonds: On March 19, 2019, the Board adopted Resolution No. 2018-19/21 approving issuance of the Bonds in a principal amount not to exceed \$10,000,000.

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Maximum and Actual Annual Special Taxes

Table 2 below summarizes the Fiscal Year 2018-19 Community Facilities District Special Tax levy to be made in accordance with the Rate and Method. As of March 1, 2018, all 442 building permits had been issued. As of February 1, 2019, the County Recorder's office records of the County Assessor indicate two homes are owned by Lennar Homes of California, LLC, and one of such parcels does not yet reflect the value of the home constructed on the property. The Community Facilities District has been advised that each of these two lots has been sold and closed.

Table 2
Community Facilities District No. 2013-1
of the Temecula Valley Unified School District
Fiscal Year 2018-19 Maximum and Actual Annual Special Taxes by Land Use Category and
Ownership Status as of July 1, 2018

Property Ownership	Land Use Class	Number of Taxable Units ⁽¹⁾	Fiscal Year 2018-19 Maximum and Actual Special Tax Levy Per Unit ⁽²⁾	Fiscal Year 2018-19 Total Special Tax Levy	Fiscal Year 2018-19 Percentage of Total Special Tax Levy	
Individual Owners	1	Less than 2,000 sq. ft.	117	\$1,051.26	\$122,997.42	22.00%
	2	2,000 to 2,249 sq. ft.	61	1,121.36	68,402.96	12.23
	3	2,250 to 2,499 sq. ft.	90	1,191.44	107,229.60	19.18
	4	2,500 to 2,749 sq. ft.	0	1,261.52	0.00	0.00
	5	2,750 to 2,999 sq. ft.	45	1,374.22	61,839.90	11.06
	6	3,000 to 3,249 sq. ft.	82	1,458.04	119,559.8	21.38
	7	3,250 to 3,499 sq. ft.	0	1,543.24	0.00	0.00
	8	3,500 and greater sq. ft.	47	1,683.40	79,119.80	14.15
Total, Individual Owners		442		\$559,148.96	100.00%	

⁽¹⁾ Building permits issued as of March 1, 2018.

⁽²⁾ The Annual Maximum Special Tax – Developed Property does not escalate.

Source: Special District Financing & Administration, LLC.

Assessed Values; Value-to-Debt Ratios

Assessed Values. The Fiscal Year 2018-19 aggregate assessed value of the Taxable Property within the Community Facilities District was \$189,886,132. The following table shows the assessed value for Taxable Property in the Community Facilities District for Fiscal Years 2013-14 through 2018-19.

**Table 3
Community Facilities District No. 2013-1
of the Temecula Valley Unified School District
Historical Assessed Value of Taxable Property ⁽¹⁾**

Fiscal Year	Value Date	Total Assessed Value of All Taxable Parcels	Annual Percentage Change in Assessed Values	Assessed Value of Parcels Taxed as Developed	Number of Prepayments	Number of Developed Dwelling Units	Number of Undeveloped Taxable Lots
2013-14	1/1/2013	\$6,339,082	NA	\$0	0	0	442
2014-15	1/1/2014	22,072,653	248%	17,176,298	0	104	338
2015-16	1/1/2015	76,792,735	248	73,370,931	0	242	200
2016-17	1/1/2016	135,483,190	76	134,215,301	0	383	59
2017-18	1/1/2017	179,271,464	32	179,259,669	0	441	1
2018-19	1/1/2018	189,886,132	6	189,886,132	0	442	0

⁽¹⁾ Source: Riverside County Assessor Closed Roll Data as of July 1 of each Fiscal Year, Assessed Values as of January 1.
Source: Special District Financing & Administration, LLC.

Value-to-Debt Ratios. Table 4 below sets forth the value-to-debt analysis for the Community Facilities District, utilizing the Fiscal Year 2018-19 assessed values, and allocating the Bonds to each of the 442 parcels by the amount of the Fiscal Year 2018-19 Special Tax levy. The assessed values result in an estimated aggregate value-to-debt ratio 22.68:1, calculated with respect to estimated direct and overlapping tax and assessment debt set forth in Table 5 in the section captioned “COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Direct and Overlapping Debt,” including general obligation bonds issued by the Metropolitan Water District of Southern California and by Mt. San Jacinto Community College District. The assessed values of the 442 homes result in an approximate value-to-debt ratios ranging from 4.68:1 to 26.16:1, with respect to the Taxable Property within the Community Facilities District. The value-to-debt ratios of individual parcels will differ from the aggregate values presented below. See “BONDOWNERS’ RISKS – Value-to-Debt Ratios,” “ – Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property”.

PACE/HERO Program. The Western Regional Council of Governments administers a home energy renovation opportunity program (also referred to as a “**HERO Program**”). The HERO Program is a property assessed clean energy program (“**PACE Program**”), which provides financing for energy efficient, water conservation and renewable energy improvements to residential and commercial property owners within a portion of the County. The financing provided by the WRCOG HERO Program is repaid through assessment which appear on the annual property tax bills collected by the County and in some cases may be passed on to a new property owner if the property is sold. The HERO Program assessments are not included in the value-to-debt ratios referenced above. A total of four property owners are participating in the HERO Program as of June 30, 2018.

See “COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Assessed Values; Value-to-Debt Ratios.” See “COMMUNITY FACILITIES DISTRICT No. 2013-1 – Direct and Overlapping Debt.” See also “BONDOWNERS’ RISKS – Value-to-Debt Ratios” and “ – Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property” herein.

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Table 4
Community Facilities District No. 2013-1
of the Temecula Valley Unified School District
Value-to-Debt Analysis – Bonds Allocated by Fiscal Year 2018-19 Special Tax Levy ⁽¹⁾
(As of July 1, 2018) ⁽²⁾

Value-to-Debt	Number of Taxable Units ⁽¹⁾	Total Assessed Value ⁽²⁾	The Bonds ⁽³⁾	Other Debt ⁽⁴⁾	Total Debt	Value-to-Debt	Fiscal Year 2018-19 Total Special Tax Levy	Fiscal Year 2018-19 Percentage of Total Special Tax Levy
> 25.00 to 1	41	\$17,807,806	\$566,786	\$114,041	\$680,828	26.16 : 1	\$44,293.22	7.92%
20.0 to 24.99	386	167,088,668	6,302,516	1,070,039	7,372,554	22.66 : 1	492,529.02	88.09
15.0 to 19.99	9	3,968,147	182,898	25,412	208,310	19.05 : 1	14,293.10	2.56
10.0 to 14.99 ⁽⁵⁾	3	779,375	52,561	4,991	57,552	13.54 : 1	4,107.52	0.73
< 9.99 to 1 ⁽⁶⁾	3	242,136	50,239	1,551	51,790	4.68 : 1	3,926.10	0.70
Total	442	\$189,886,132	\$7,155,000	\$1,216,034	\$8,371,034	22.68 : 1	\$559,148.96	100.00%

⁽¹⁾ As of March 1, 2018, all 442 lots had obtained building permits and as such levied as Developed Property for Fiscal Year 2018-19.

⁽²⁾ Source: County Assessor Closed Roll dated July 1, 2018.

⁽³⁾ Includes the Bonds to be issued by the Community Facilities District; debt has been allocated by the amount of the Special Tax levy for Fiscal Year 2018-19.

⁽⁴⁾ Source: Table 5 – Detailed Direct and Overlapping Debt Report provided by California Municipal Statistics, Inc. Direct and overlapping tax and assessment debt has been allocated based on Total Assessed Value. Excludes overlapping general fund debt. The actual allocation of debt per lot may vary.

⁽⁵⁾ The four dwelling units shown in the Value-to-Debt Category of 10.00 to 14.99 have Value-to-Debt Ratios ranging from 11.07 to 14.59. All of these dwelling units have had their assessed value lowered through the application of a Prop 90 Adjustment.

⁽⁶⁾ The three dwelling units shown in the Value-to-Debt Category of Less than 9.99 have Value-to-Debt Ratios of 1.45, 3.95 and 8.48. The lowest Value-to-Debt ratio parcel is due to the dwelling unit having no improvement value assigned by the County Assessor.

Sources: California Municipal Statistics, Inc. and Special District Financing & Administration, LLC.

Direct and Overlapping Debt

Table 5 sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied within the Community Facilities District prepared by California Municipal Statistics, Inc. and dated February 1, 2019 (the “**Debt Report**”). The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, which will change significantly as County assessed value records increase to reflect housing values. The Community Facilities District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or the Community Facilities District. See “ – Overlapping Assessment and Community Facilities Districts” below.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Community Facilities District in whole or in part. Such long-term obligations generally are not payable from property taxes, assessment or special taxes on land in the Community Facilities District. In many cases, long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the Community Facilities District, the School District, the County or other public agencies at any time.

The Community Facilities District has not undertaken to commission annual appraisals of the market value of property in the Community Facilities District for purposes of Community Facilities District Annual Reports pursuant to the Continuing Disclosure Certificate and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX E hereto for the form of the Continuing Disclosure Certificate.

As discussed above under the caption “COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Assessed Values; Value-to-Debt Ratios – *PACE/HERO Program*,” a total of four property owners are participating in the HERO Program as of June 30, 2018.

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Table 5
Community Facilities District No. 2013-1
of the Temecula Valley Unified School District
Detailed Direct and Overlapping Debt Report
(As of February 1, 2019)

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2013-1

2018-19 Local Secured Assessed Valuation: \$189,886,132

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/19</u>	
Metropolitan Water District General Obligation Bonds	0.006%	\$4,944	
Mount San Jacinto Community College District General Obligation Bonds	0.204	352,994	
Temecula Valley Unified School District General Obligation Bonds	0.795	858,096	
Temecula Valley Unified School District Community Facilities District No. 2013-1	100.000	-	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$1,216,034</u>	
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Riverside County General Fund Obligations	0.066%	\$516,873	
Riverside County Pension Obligation Bonds	0.066	<u>177,106</u>	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$693,979	
Less: Riverside County supported obligations		<u>1,702</u>	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$692,277	
GROSS COMBINED TOTAL DEBT		\$1,910,013	(2)
NET COMBINED TOTAL DEBT		\$1,908,311	

(1) Excludes the Bonds to be sold.

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

Ratios to 2018-19 Assessed Valuation:

Direct Debt	- %
Total Direct and Overlapping Tax and Assessment Debt.....	0.64%
Gross Combined Total Debt.....	1.01%
Net Combined Total Debt.....	1.00%

Source: California Municipal Statistics, Inc.

Table 6 below sets forth a sample tax bill for Fiscal Year 2018-19.

Table 6
Community Facilities District No. 2013-1
of the Temecula Valley Unified School District
Estimated Fiscal Year 2018-19 Tax Rates

ASSESSED VALUATION AND PROPERTY TAXES

Total Assessed Value of Developed Taxable Property ⁽¹⁾	\$189,886,132
Number of Developed Dwelling Units	442
Average Assessed Value of Taxable Dwelling Unit	\$429,607

	<i>Percent of Total Assessed Valuation</i>	<i>Expected Amount to be Levied</i>
AD VALOREM PROPERTY TAXES	1.04731%	
General Purpose	1.00000	\$4,296.07
Temecula Valley Unified School District	0.03061	131.50
Mt. San Jacinto Jr. College	0.01320	56.71
MWD East Debt Service	0.00350	15.04

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES

Riverside County Flood Control Stormwater/Cleanwater	\$4.02
County of Riverside CSA #103	49.50
County of Riverside CSA #152	68.82
Valley-Wide Regional Facilities LMD No. 88-1	5.54
MWD Standby East	6.94
EMWD Standby - Combined	40.00
CFD French Valley	500.00
Temecula Valley USD CFD 2013-1 ⁽²⁾	1,261.52

PROJECTED TOTAL PROPERTY TAXES \$6,435.65

Percent of Property Taxes to Average Assessed Value: 1.50%

⁽¹⁾ The Total Assessed Value of Developed Taxable Property is sourced from the County closed roll dated July 1, 2018.

⁽²⁾ The mathematically calculated average dwelling unit size of all dwelling units within the Community Facilities District equates to 2,519 square feet. This size dwelling unit would fall into Land Use Classification 4 and be levied annually at the amount shown.

Source: *Special District Financing & Administration, LLC.*

Overlapping Assessment and Community Facilities Districts

Currently, there are overlapping taxes or assessments by the Metropolitan Water District for water facilities. The amounts will increase from those presented in Table 6 above, as the assessed value increases to reflect completion of homes. The Community Facilities District has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within a special district which may be incurred in the future by other governmental agencies, including, but not limited to, the County, the City of Temecula, or any other governmental agency having jurisdiction over all or a portion of the property within the Community Facilities District. Furthermore, nothing prevents the owners of property within the Community Facilities District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within a district on a parity with a lien of the Special Taxes.

Accordingly, the debt on the property within the Community Facilities District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the ratio that exists at the time the Bonds are issued between the value of the property and the debt secured by the Special Taxes and other taxes and assessments which may be levied on such property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners within the Community Facilities District to pay the Special Taxes when due.

Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of the property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See “BONDOWNERS’ RISKS – Value-to-Debt Ratios.”

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Delinquency History

Fiscal Year 2014-15 was the first year in which Special Taxes were levied within the Community Facilities District. The table below sets forth information regarding historical Special Tax levies and collections within the Community Facilities District.

Table 7
Community Facilities District No. 2013-1 of the
Temecula Valley Unified School District
Historical Delinquency and Collection Rates

Fiscal Year	Number of Parcels Levied	Total Special Tax Levied	Parcels Delinquent	Amount Delinquent as of June 30 ⁽²⁾	% Delinquent June 30	Current Delinquency ⁽³⁾		
						Parcels Delinquent	Amount Delinquent	% Delinquency
2014-15	104	\$134,158.50	0	\$0.00	0.00%	0	\$0.00	0.00%
2015-16	242	306,980.28	2	3,057.62	1.00	1	1,683.40	0.55
2016-17	383	483,989.38	1	687.11	0.14	0	0.00	0.00
2017-18	441	557,465.56	2	1,212.74	0.22	1	687.11	0.12
2018-19 ⁽¹⁾	442	559,148.96	NA	NA	NA	4	2,537.48	0.91

⁽¹⁾ For the Fiscal Year 2018-19, the data shown only reflects the 1st installment as of December 10, 2018.

⁽²⁾ Amount delinquent as of June 30th in the Fiscal Year in which Special Taxes were levied.

⁽³⁾ The source for the current amount delinquent in all prior Fiscal Years is the County as of February 22, 2019.

Source: *Special District Financing & Administration, LLC.*

BONDOWNERS' RISKS

In addition to the other information contained in this Official Statement, the following risk factors should be carefully considered in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. The Community Facilities District and the Underwriter caution prospective investors that 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 Community Facilities District to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the Community Facilities 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 Community Facilities District and the value of the Bonds in the secondary market. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any risk.

Risks of Real Estate Secured Investments Generally

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

Special Taxes Are Not Personal Obligations

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

Potential Early Redemption of Bonds from Prepayments

Property owners within the Community Facilities District are permitted to prepay their Special Taxes at any time. Such payments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of the prepayment. The resulting redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds.

The Bonds Are Limited Obligations of the Community Facilities District

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

Value-to-Debt Ratios

Value-to-debt ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-debt ratio is mathematically a fraction, the numerator of which is the value of the property (usually either the assessed value or a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes as represented by the principal amount of bonds repaid by such assessment or special tax. A value-to-debt ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-debt ratios. Further, the value-to-debt ratio typically cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a ratio below 1:1, the land is worth less than the bonded debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. Such local agencies typically do not coordinate their bond issuances. Debt issuance by another entity can therefore dilute value-to-debt ratios. See “COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Direct and Overlapping Debt.”

Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property

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

Table 4 in the section entitled “COMMUNITY FACILITIES DISTRICT NO. 2013-1 – Assessed Values; Value-to-Debt Ratios” sets forth the presently outstanding amount of governmental obligations (with stated exclusions) the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. Such tables do not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

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

In general, as long as the Special Tax on the parcels within the Community Facilities District is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity (that is, are of equal priority). Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing

the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax, this result may not apply in the case of bankruptcy.

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

Disclosure 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 Community Facilities District has recorded a Notice of Special Tax Lien in the Office of the Riverside County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a parcel of land or a home in the Community Facilities District or the lending of money 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.

Hazardous Substances

While governmental taxes, assessments, and charges are a common claim against the value of Taxable Property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Tax is a claim with regard to hazardous substances. In general, the owners and operators of parcels within the Community Facilities District may be required by law to remedy conditions of the parcels related to the releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any parcel within the Community Facilities District be affected by a hazardous substance, would be to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner (or operator) is obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling or disposing of it. All

of these possibilities could significantly affect the financial and legal ability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

The value of the property within the Community Facilities District, as set forth in the assessed values of the property within the Community Facilities District, do not take into account the possible reduction in marketability and value of any of the parcels of Taxable Property by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The Community Facilities District has not independently verified and is not aware that the owner (or operator) has such a current liability with respect to any of the parcels of Taxable Property, except as expressly noted. However, it is possible that such liabilities do currently exist and that the Community Facilities District is not aware of them.

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

Insufficiency of the Special Tax

The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District. The annual levy of the Special Tax is subject to the Annual Maximum Special Tax rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

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

The Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and the application of the Rate and Method. Application of the Rate and Method will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property within the Community Facilities District. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

- (1) Reduction in the amount of Taxable Property, for such reasons as acquisition of Taxable Property by a government and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity

from taxation, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property; or

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

Except as set forth above under “SECURITY FOR THE BONDS – Special Taxes” and “– Rate and Method” herein, the Fiscal Agent Agreement provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE BONDS – Proceeds of Foreclosure Sales” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

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

In addition, the Rate and Method limits the increase of Special Taxes levied on parcels of Developed Property to cure delinquencies of other property owners in the Community Facilities District. See “SECURITY FOR THE BONDS – Rate and Method” herein.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method (see “SECURITY FOR THE BONDS – Rate and Method” herein). In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; *provided, however*, that property within the Community Facilities District acquired by a public entity subsequent to adoption of the Resolution of Formation through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. In the event that additional property is dedicated to the School District or other public entities, this additional property might become exempt from the Special Tax.

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

Depletion of Reserve Fund

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

Potential Delay and Limitations in Foreclosure Proceedings

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

The ability of the Community Facilities District to collect interest and penalties specified by State law and to foreclose against properties within the Community Facilities District having delinquent Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”), Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the Internal Revenue Service or other similar federal governmental agencies has or obtains an interest. The FDIC would obtain such an interest by taking over a financial institution which has made a loan which is secured by property within the Community Facilities District. See “BONDOWNERS’ RISKS – Ownership or Mortgage Interests by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies.”

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

The Community Facilities District and the School District are unable to predict what effect the application of a policy statement by the FDIC regarding payment of state and local real property taxes would have in the event of a delinquency on a parcel within the Community Facilities District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would likely reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale.

In addition, potential investors should be aware that judicial foreclosure proceedings are not summary remedies and can be subject to significant procedural and other delays caused by crowded court

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

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

Bankruptcy and Foreclosure Delay

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

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

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

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

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

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

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

Ownership or Mortgage Interests by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies

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

FDIC. Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the “1991 Policy Statement”). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the “**Policy Statement**”). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are

secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

The Community Facilities District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the Community Facilities District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the Community Facilities District will be unable to collect Special Taxes or to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the Bonds. Based upon the secured tax roll as of January 1, 2018, the FDIC did not own any of the property in the Community Facilities District. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Fannie Mae, Freddie Mac and Other Federal Agencies. Similarly, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution ("This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding"), in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Community Facilities District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the Community Facilities District becoming owned by the federal government, federal government entities or federal government sponsored entities, see " – Exempt Properties" above.

Factors Affecting Parcel Values and Aggregate Value

Geologic, Topographic and Climatic Conditions. The value of the Taxable Property in the Community Facilities District in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the parcels of Taxable Property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides, liquefaction, floods or fires, and climatic conditions such as tornadoes, droughts, and the possible reduction in water allocation or availability. It is possible that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Taxable Property may well depreciate or disappear.

Seismic Conditions. The Community Facilities District, like all California communities, is subject to unpredictable seismic activity. The occurrence of seismic activity in the Community Facilities District could result in substantial damage to properties in the Community Facilities District which, in turn, could substantially reduce the value of such properties, potentially reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes and potentially affecting the ability or willingness of the property owners to pay their Special Taxes. Any major damage to structures as a result of seismic activity could result in greater reliance on Undeveloped Property in the payment of Special Taxes. Development within the Community Facilities District has been built in accordance with applicable building codes, including requirements relating to seismic safety. No assurances can be given that any earthquake insurance will be obtained as to any of the improvements within the Community Facilities District.

Drought Conditions. With respect to droughts specifically, the State in recent years experienced a 5-year drought throughout much of the State, though from October 1, 2016 through the spring of 2017, most of the State experienced above-average rainfall. On April 7, 2017, then-Governor Brown issued an executive order which lifted the drought emergency in all State counties, except Fresno, Kings, Tulare and Tuolumne, where emergency drinking water projects will continue to help address diminished groundwater supplies. In a related action, State agencies on April 7, 2017, issued a plan to continue to make conservation a way of life in the State, as directed by then-Governor Brown in May 2016. The framework requires new legislation to establish long-term water conservation measures and improved planning for more frequent and severe droughts. As of March 21, 2019, most areas of the State have experienced above normal levels of rainfall, with a number of areas having experienced through March 21, 2019, aggregate rainfall totals which are above the full season normal rainfall levels. The State's five-year drought underscored the need for permanent improvements in long-term efficient water use and drought preparedness, as called for in a previous executive order made by then Governor Brown. On May 31, 2018, then-Governor Brown signed Assembly Bill 1668 and Senate Bill 606, which impose new and expanded requirements on state water agencies and local water suppliers, including provisions for the establishment by the State Water Resources Control Board of long-term urban water use efficiency standards by June 30, 2022, and starting in 2027, authorization of fines for failure to comply with the State Water Resources Control Board's adopted long-term standards. The actions taken over the last several years were intended to help to ensure all communities have sufficient water supplies and are conserving water regardless of the conditions of any one year. The Community Facilities District cannot predict if and when the State will experience drought conditions again in the future, what effect such conditions may have on property values or whether or to

what extent any water reduction requirements may affect homeowners within the Community Facilities District or its ability or willingness to pay Special Taxes.

Wildfires. In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can lead to the destruction of homes. While the Community Facilities District is not aware of any particular risk of wildfire within the Community Facilities District, there can be no assurances that wildfires won't occur within the Community Facilities District. Property damage due to wildfire could result in a significant decrease in the market value of property in the Community Facilities District and in the ability or willingness of property owners to pay Special Taxes when due.

Hazardous Substances. See the Section caption “ – Hazardous Substances” above regarding the potential reduction in the value that may be realized to pay the Special Taxes is a claim with regard to hazardous substances.

Legal Requirements. Other events which may affect the value of a parcel of Taxable Property in the Community Facilities District include changes in laws or application of laws. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

No Acceleration Provisions

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Fiscal Agent Agreement, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies (see APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” herein).

Community Facilities District Formation

California voters, on June 6, 1978, approved an amendment (“Article XIII A”) to the California Constitution. Section 4 of Article XIII A, requires a vote of two-thirds of the qualified electorate to impose “special taxes,” or any additional *ad valorem*, sales or transaction taxes on real property. At an election held within the Community Facilities District pursuant to the Act, more than two-thirds of the qualified electors within the Community Facilities District, consisting of the landowners within the boundaries of the Community Facilities District, authorized the Community Facilities District to incur bonded indebtedness to finance the Facilities and approved the Rate and Method. The Supreme Court of the State of California has not yet decided whether landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIII A, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a “special tax” for purposes of Article XIII A.

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

Billing of Special Taxes

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

Under provisions of the Act, the Special Taxes are billed to the properties within the Community Facilities District which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See “SECURITY FOR THE BONDS – Proceeds of Foreclosure Sales,” for a discussion of the provisions which apply, and procedures which the Community Facilities District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Inability to Collect Special Taxes

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

Right to Vote on Taxes Act

An initiative measure referred to as the “Right to Vote on Taxes Act” or commonly referred to as “Proposition 218” (the “**Initiative**”) was approved by the voters of the State at the November 5, 1996, general election. The Initiative added Article XIII C (“**Article XIII C**”) and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities districts are subject to interpretation by the courts.

Among other things, Section 3 of Article XIII C states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.”

The Act provides for a procedure, which includes notice hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

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

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

It may be possible, however, for voters of the Community Facilities 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. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds.

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

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

Section 53359 of the Act provides that:

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

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

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

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

Ballot Initiatives and Legislative Measures

The Initiative was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, the School District or local districts to increase revenues or to increase appropriations or on the ability of a property owner to complete the development of the property.

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

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

Tax Cuts and Jobs Act of 2017

Recent changes enacted by federal tax legislation (the Public Law No. 115-97, also referred to as the “**Tax Cuts and Jobs Act of 2017**”) were enacted into law on December 22, 2017. The Tax Cuts and Jobs Act of 2017 made significant changes to many aspects of the Internal Revenue Code of 1986. For example, the Tax Cuts and Jobs Act of 2017 reduced the amount of mortgage interest deduction to the first \$750,000 of a home loan on new purchases (existing loans are grandfathered in), increased the standard deduction, and put a limit of \$10,000 on deductions for state and local income tax, sales tax and property tax expenses that individuals may deduct from their gross income for federal income tax purposes. The changes made by the Tax Cuts and Jobs Act of 2017 could increase the cost of home ownership within the Community Facilities District.

Neither the School District nor the Community Facilities District can predict the effect that the Tax Cuts and Jobs Act of 2017 may have on the cost of home ownership or the price of homes in the Community Facilities District, or the ability or willingness of home owners to pay Special Taxes or property taxes.

Loss of Tax Exemption

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

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

IRS Audit of Tax-Exempt Bond Issues

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

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

Recent legislation, future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislation, the introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

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

Backup Withholding

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

Limitations on Remedies

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

Cyber Security

The School District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the School District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The School District has never had a major cyber breach that resulted in a financial loss. The School District maintains insurance coverage for cyber security losses should a successful breach ever occur.

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

LEGAL MATTERS

Legal Opinion

The legal opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, approving the validity of the Bonds will be made available to purchasers at the time of original delivery and is attached hereto as APPENDIX F. A copy of the legal opinion will be printed on each Bond. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California is serving as Disclosure Counsel. Atkinson, Andelson, Loya, Ruud & Romo will also pass upon certain legal matters for the School District and the Community Facilities District as Special Counsel to these entities.

Tax Exemption

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

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the Community Facilities District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Community Facilities District will covenant in the Fiscal Agent Agreement to comply with each such requirement.

Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Fiscal Agent Agreement and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel. Bond Counsel expresses no opinion regarding other tax consequences arising with respect to the Bonds.

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

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

See APPENDIX F for the proposed form of the opinion of Bond Counsel.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Community Facilities District or the School District, as applicable, or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Community Facilities District, and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Community Facilities District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Community Facilities District, the School District, or the Beneficial Owners to incur significant expense.

Original Issue Discount; Premium Bonds

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

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

their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Absence of Litigation

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

No General Obligation of School District or Community Facilities District

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

NO RATINGS

The Community Facilities 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 Stifel, Nicolaus & Company, Incorporated at a purchase price of \$7,882,993.00 (which represents the aggregate principal amount of the Bonds of \$7,155,000.00, plus a net original issue premium of \$835,318.00 and less an underwriter's discount of \$107,325.00).

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

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

FINANCIAL INTERESTS

Fees payable to certain professionals, including the Underwriter, Kutak Rock LLP, as Underwriter's Counsel, James F. Anderson Law Firm, A Professional Corporation, as Disclosure Counsel, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, as Bond Counsel, Fieldman, Rolapp & Associates, Inc., as Municipal Advisor, and U.S. Bank National Association, as the Fiscal Agent, are contingent upon the issuance of the Bonds. The fees of Special District Financing & Administration, LLC, as Special Tax Consultant and Dissemination Agent, are in part contingent upon the issuance of the Bonds. Disclosure Counsel has in the past worked as, and is currently working as, counsel to the Underwriter on matters unrelated to the Bonds.

MISCELLANEOUS

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

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

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

COMMUNITY FACILITIES DISTRICT NO. 2013-1 OF
THE TEMECULA VALLEY UNIFIED SCHOOL
DISTRICT

By: /s/ Lori Ordway-Peck
Lori Ordway-Peck,
Assistant Superintendent of Business Support
Services, Temecula Valley Unified School
District, on behalf of Community Facilities
District No. 2013-1 of the Temecula Valley
Unified School District

APPENDIX A

GENERAL INFORMATION ABOUT THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

General Information

The Temecula Valley Unified School District (the “**School District**”), a political subdivision of the State of California (the “**State**”), was organized as a unified school district of the State in 1989 and provides public education for grades kindergarten through twelve within an area of approximately 213 square miles located in the southwest portion of Riverside County (the “**County**”). As of April 16, 2018, for Fiscal Year 2017-18, the School District maintained 31 school facilities, including 17 elementary schools with an enrollment of approximately 12,073, 6 middle schools with an enrollment of approximately 6,699, 3 comprehensive high schools with an enrollment of approximately 9,378, and 3 alternative education programs with an enrollment of approximately 127, 1 continuation high school with an enrollment of approximately 221, a K-12 preparatory school with an enrollment of approximately 1,053, a K-8 charter school with an enrollment of approximately 534 and non-public schools with an enrollment of approximately 25. The School District reported 28,242 students (excluding charter schools) enrolled at the California Longitudinal Pupil Achievement Data System (“**CALPADS**”) (formerly California Basic Educational Data System (“**CBEDS**”)) for Fiscal Year 2017-18.

Governing Board

The School District is governed by a five-member Board of Education (the “**Board**”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. During the Fiscal Year 2015-16 school year, the Board voted to change from selecting Board members through an “at-large” elections process to elections “by-Trustee area.” The first by-Trustee area election occurred on November 8, 2016. The balance of the Board members were elected by-Trustee area at the November 6, 2018 election.

The management and policies of the School District are administered by a Superintendent appointed by the Board who is responsible for day-to-day School District operations, as well as the supervision of the School District’s other personnel. Mr. Timothy Ritter was appointed Superintendent effective July 2010. See “Key Personnel” herein. If a Board vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members and, if there is no majority, by a special election. The following table sets forth each Board member’s name, position and current term expiration date.

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Name	Position	Trustee Area	Current Term Expires
Dr. Kristi Rutz-Robbins	President	Trustee Area 5	December 2020
Sandy Hinkson	Clerk	Trustee Area 2	December 2022
Barbara Brosch	Member	Trustee Area 3	December 2022
Lee Darling	Member	Trustee Area 1	December 2020
Adam Skumawitz	Member	Trustee Area 4	December 2022

Source: Temecula Valley Unified School District.

Key Personnel

The Superintendent of the School District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the School District's day-to-day operations of and supervises the work of other School District administrators and supervisors. A brief background of the Superintendent and key administrative personnel is set forth herein.

Mr. Timothy Ritter, Superintendent. Mr. Timothy Ritter was appointed as Superintendent effective July 1, 2010.

Mr. Ritter began his career in education in 1985 as a high school Biology teacher for the Chaffey Joint Union High School District. He obtained his Bachelor of Science degree in Biology from Cal Poly Pomona and holds Master's Degrees in Biology and Education from Cal State San Bernardino. Mr. Ritter began his administrative career with the School District in 2001, when he was named Principal of Chaparral High School. In 2004, he was appointed Principal of the newly opened Great Oak High School.

In 2007, Mr. Ritter was promoted to Assistant Superintendent of Educational Support Services (ESS) and a year later to Deputy Superintendent of ESS. After leading the ESS division for three years, Mr. Ritter was promoted to Superintendent. In May 2013, Mr. Ritter was named *Certificated Administrator of the Year* by the Riverside County Office of Education.

Mrs. Lori Ordway-Peck, Assistant Superintendent, Business Support Services. Mrs. Ordway-Peck holds a Master's Degree in Business Administration from Claremont Graduate School. Mrs. Ordway-Peck was hired as the Assistant Superintendent, Business Support Services in December 2010. Mrs. Ordway-Peck came to the School District with 20 years of education experience that includes work in business, accounting, risk management and negotiations. Prior to joining the School District, Mrs. Ordway-Peck served as the Assistant Business Superintendent for the Burbank Unified School District for more than three years. Previously, she served as Deputy Superintendent for the Palmdale School District for four years and as Assistant Business Superintendent for the Westside Union School District for the prior eight years.

Ms. Jodi McClay, Assistant Superintendent, Educational Support Services. Ms. McClay graduated from Chapman University in Orange in 1991 and received a bachelor's degree in legal studies, as well as her multiple-subject teaching credential. She earned a master's degree and administrative credential from Chapman University in 1991 and 1993, respectively. In 2010, Ms. McClay was appointed as the Assistant Superintendent of Educational Support Services in the School District and was honored as the Riverside County Certificated Administrator of the Year. Prior to that, she served as Director of Curriculum, Instruction and Assessment K-12, Principal of Nicolas Valley Elementary School, and Assistant Principal at Rancho Elementary, all within the School District. Before coming to the School District, Ms. McClay was a mentor teacher in a multi-age classroom, grades K-3 for the Lake Elsinore Unified School District. Ms. McClay is the author of eight books about teaching theories and classroom learning and has lectured on those subjects to school districts throughout the country.

Mr. Raymond R. Johnson, Assistant Superintendent, Human Resources Development. Mr. Johnson graduated from Western Oregon State University with a Bachelor of Science (BS). He later received his Masters of Arts in Educational Administration from Portland State University. Mr. Johnson is currently completing his 44th year as a public school educator, having served as a school site teacher, high school coach, counselor, dean of students, assistant principal and high school principal for 11 years. In addition, Mr. Johnson has been a director of human resources for 5 years and is currently in his 7th year as an Assistant Superintendent of Human Resources. Mr. Johnson values life-long education and has a professional history of serving on numerous education committees at the local, regional, and state levels.

Population

Separate population statistics are not maintained for the School District. The School District believes that the statistics for the City of Temecula area are indicative of population trends within the School District.

POPULATION CALENDAR YEARS 2009 THROUGH 2018

<u>Calendar Year</u>	<u>City of Temecula</u>	<u>County of Riverside</u>	<u>State of California</u>
2009	97,741	2,140,626	36,966,713
2010	100,097	2,189,641	37,253,956
2011	101,662	2,212,675	37,529,913
2012	103,704	2,240,166	37,874,977
2013	105,359	2,265,789	38,234,391
2014	106,749	2,291,262	38,568,628
2015	109,144	2,317,895	38,912,464
2016	110,536	2,346,717	39,179,627
2017	112,040	2,382,640	39,500,973
2018	113,181	2,415,955	39,809,693

Source: State of California, Department of Finance, as of January 1, based on a 2010 Benchmark.

Average Daily Attendance and Growth

The School District has experienced growth and then decline in enrollment and new residential construction over the past 10 years. From Fiscal Year 2008-09 to Fiscal Year 2017-18, average attendance declined by approximately 1.64%. The following table sets forth the average daily attendance in the School District for the Fiscal Years as described in the table heading.

**TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
AVERAGE DAILY ATTENDANCE
FISCAL YEARS 2008-09 THROUGH 2017-18**

Fiscal Year	Average Daily Attendance	% Increase/ Decrease
2009	27,516	--
2010	27,347	(0.61)
2011	27,608	0.95
2012	27,431	(0.64)
2013	28,484	3.84
2014	27,306	(4.14)
2015	27,161	(0.53)
2016	27,089	(0.27)
2017	26,997	(0.34)
2018	27,064	0.25

Source: California Department of Education, EdData.

Employees

As of October, 2017, the School District employed approximately 1,364 certificated employees and approximately 982 classified employees. The following table sets forth the number of certificated and classified employees (both full-time and part-time) employed by the School District for Fiscal Years 2008-09 through 2017-18.

**TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
DISTRICT EMPLOYEES
FISCAL YEARS 2008-09 THROUGH 2017-18**

Fiscal Year	Certificated Employees	Classified Employees	Total Employees
2009	1,395	1,258	2,653
2010	1,394	1,249	2,643
2011	1,293	1,241	2,534
2012	1,331	857	2,188
2013	1,271	914	2,185
2014	1,278	714	1,992
2015	1,316	965	2,281
2016	1,350	964	2,314
2017	1,395	1,008	2,403
2018	1,364	982	2,346

Source: California Department of Education, EdData.

APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF TEMECULA AND MURRIETA, AND FOR RIVERSIDE COUNTY

The 2019 Bonds are not a debt of the City of Temecula (the “City of Temecula”), the City of Murrieta (the “City of Murrieta”), or the County of Riverside (the “County”). The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect Special Taxes for payment of the 2019 Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on Bonds at the time such payment is due.

The following information is included only for the purpose of supplying general information regarding the City of Temecula, the City of Murrieta and the County. This information is provided only for general informational purposes, and provides prospective investors limited information about the City of Temecula, the City of Murrieta, the County and their economic base. The 2019 Bonds are not a debt of the County, the State or any of its political subdivisions, and none of the City of Temecula, the City of Murrieta, the County, the State or any of its political subdivisions is liable therefor.

General

The Temecula Valley Unified School District is located in the southwestern portion of the County. The School District was established in 1989 and is comprised of an area of approximately 213 square miles. The School District currently operates 17 elementary schools for grades K-6, six middle schools for grades 7-8, three comprehensive high schools for grades 9-12, and three alternative education programs, serving approximately 27,700 students in Fiscal Year 2018-19.

City of Temecula

The City of Temecula was incorporated on December 1, 1989, and is located in the southwestern portion of the County. The City of Temecula borders San Diego County and the Pechanga Indian Reservation to the south, the City of Murrieta to the north, the City of Murrieta and Riverside County to the west. Interstate 15 bisects the City of Temecula. The City of Temecula spans approximately 37 square miles and has a population estimated at approximately 113,181.

City of Murrieta

The City of Murrieta was incorporated on July 1, 1991, and is in the southwestern portion of the County, bordered by the City of Temecula to the south, the cities of Menifee and Wildomar to the north, and the unincorporated community of French Valley to the east. The City of Murrieta spans nearly 33 square miles and has a population estimated at approximately 113,541.

History and Location of the County

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

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

County Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,415,955 as of January 1, 2018. The largest cities in the County are the cities of Riverside, Moreno Valley, Corona, Murrieta, Temecula, Temecula, Menifee, Indio, Hemet and Perris. The areas of most rapid population growth continue to be those more populated and industrialized cities in the western and central regions of the County and the southwestern unincorporated region of the County between Sun City and Temecula.

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The following table sets forth annual population figures as of January 1, 2018, for cities located within the County for each of the years listed:

COUNTY OF RIVERSIDE
Population Estimates

	2014	2015	2016	2017	2018
Banning	30,549	30,746	30,967	31,170	31,282
Beaumont	41,920	43,906	45,617	46,730	48,237
Blythe	18,737	18,522	19,008	19,027	19,389
Calimesa	8,036	8,114	8,212	8,567	8,876
Canyon Lake	10,652	10,673	10,728	10,882	11,018
Cathedral City	53,031	53,390	53,842	54,296	54,791
Coachella	44,101	44,486	44,940	45,273	45,635
Corona	160,955	162,396	163,341	166,819	168,574
Desert Hot Springs	28,591	28,900	29,252	29,347	29,742
Eastvale	58,790	59,930	62,147	63,720	64,855
Hemet	80,196	80,439	80,997	82,417	83,166
Indian Wells	5,295	5,407	5,512	5,549	5,574
Indio	82,419	84,009	85,233	86,632	87,883
Temecula	98,420	99,742	101,412	103,661	106,054
Lake Elsinore	57,488	59,404	61,422	62,487	63,365
La Quinta	38,991	39,323	39,899	40,605	41,204
Menifee	83,968	85,801	87,608	89,552	91,902
Moreno Valley	199,752	201,387	202,621	204,285	207,629
Murrieta	107,254	109,408	110,166	111,793	113,541
Norco	27,006	26,198	26,727	26,799	26,761
Palm Desert	50,414	50,683	51,250	52,058	52,769
Palm Springs	45,847	46,099	46,534	47,157	47,706
Perris	73,351	74,866	76,070	77,311	77,837
Rancho Mirage	18,076	18,201	18,369	18,579	18,738
Riverside	315,129	317,890	320,226	323,190	325,860
San Jacinto	46,014	46,462	47,085	47,560	48,146
Temecula	106,749	109,144	110,536	112,040	113,181
Wildomar	34,136	34,751	35,270	35,882	36,287
Balance of County	365,395	367,618	371,726	379,252	385,953
County Total	2,291,262	2,317,895	2,346,717	2,382,640	2,415,955

Source: State Department of Finance Estimates (as of January 1, 2018).

County Employment

The following table shows the average annual estimated numbers of wage and salary workers by industry in the County for which data is available. The data does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households and persons in labor management disputes.

COUNTY OF RIVERSIDE Civilian Labor Force, Employment and Unemployment (Annual Averages)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Civilian Labor Force</u> ⁽¹⁾	987,100	996,400	1,013,500	1,035,700	1,052,600	1,071,900
Employment	872,300	897,700	930,400	966,300	988,200	1,015,300
Unemployment	114,800	98,700	83,100	69,400	64,500	56,600
Unemployment Rate	11.6%	9.9%	8.2%	6.7%	6.1%	5.3%
<u>Wage and Salary Employment:</u> ⁽²⁾						
Agriculture	12,500	12,100	11,900	12,600	12,800	12,600
Mining and Logging	400	300	300	300	300	400
Construction	35,900	42,600	47,500	52,900	58,600	62,300
Manufacturing	39,400	39,000	40,100	41,300	42,700	42,800
Wholesale Trade	20,700	22,400	23,100	23,300	23,800	23,900
Retail Trade	81,400	82,400	85,500	88,700	91,600	92,800
Transportation, Warehousing and Utilities	21,000	24,900	27,800	34,100	37,400	42,100
Information	6,400	6,300	6,300	6,400	6,300	6,100
Finance and Insurance	11,300	11,600	11,500	11,600	11,700	12,000
Real Estate and Rental and Leasing	8,000	8,400	8,900	9,400	9,700	9,900
Professional and Business Services	54,000	57,600	60,900	62,600	65,200	67,000
Educational and Health Services	78,900	85,500	89,500	95,200	100,200	106,200
Leisure and Hospitality	72,300	75,000	80,500	83,400	88,200	90,800
Other Services	19,200	20,300	21,600	21,700	22,300	22,800
Federal Government	6,800	6,800	6,800	6,900	7,100	7,100
State Government	15,700	15,800	15,900	16,300	17,000	17,800
Local Government	<u>89,600</u>	<u>88,600</u>	<u>89,900</u>	<u>91,400</u>	<u>93,600</u>	<u>100,500</u>
Total All Industries	573,600	599,500	628,100	657,900	688,400	717,000

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

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

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

Largest Employers

The following tables list the largest employers within the City of Temecula, the City of Murrieta, and the County.

CITY OF TEMECULA Major Employers as of June 2018

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Temecula Valley Unified School District	School District	3,050
Abbott Laboratories	Health Care	1,500
PHS Medline	Medical Supplies	900
Temecula Valley Hospital	Medical Facility	800
Infineon Technologies	Semiconductor Manufacturer	672
Walmart	Retailer	600
Milgard Manufacturing	Window and Patio Doors	600
Costco Wholesale Corporation	Home Retailer	404
EMD Milipore	Pharmaceuticals	375
DCH Auto Group Temecula	Auto Dealer	320

Source: City of Temecula Comprehensive Annual Financial Report (CAFR), fiscal year ended June 30, 2018.

CITY OF MURRIETA Major Employers as of June 2018

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Murrieta Valley Unified School District	School District	2,267
Southwest Healthcare System	Health Care	1,612
Loma Linda University Medical Center	Medical Center	1,011
County of Riverside	Government	847
Target	Retail Store	433
Oak Grove Institute	Residential Treatment	325
Walmart	Retail Store	309
Murrieta Health & Rehab Center	Health Care	300
City of Murrieta	Government	295
Sam's Club	Warehouse Club	209

Source: City of Murrieta Comprehensive Annual Financial Report (CAFR), fiscal year ended June 30, 2018.

LARGEST EMPLOYERS
County of Riverside
Major Employers as of June 2018

<u>Rank</u>	<u>Name of Business</u>	<u>Type of Business</u>	<u>Employees</u>	<u>% of County Employment</u>
1.	County of Riverside	County Government	22,038	2.15%
2.	March Air Reserve Base	Military Reserve Base	9,000	0.88
3.	University of California, Riverside	University	8,829	0.86
4.	Kaiser Permanente Riverside Med. Center	Medical Center	5,500	0.54
5.	Corona-Norco Unified School District	School District	5,478	0.53
6.	Pechanga Resort Casino	Casino	4,750	0.46
7.	Riverside Unified School District	School District	4,200	0.41
8.	Hemet Unified School District	School District	4,058	0.40
9.	Riverside University Health Systems-Med. Center	Medical Center	3,965	0.39
10.	Morongo Casino, Resort & Spa	Casino	3,800	0.37

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

Construction Trends

Provided below are the building permits and valuations for the City of Temecula, the City of Murrieta, and the County for calendar years 2013 through 2017.

CITY OF TEMECULA
Building Permit Valuation
(Valuation in Thousands of Dollars)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Permit Valuation					
New Single-family	\$615.2	\$49,427.6	\$62,461.6	\$76,113.9	\$143,012.7
New Multi-family	0.0	0.0	4,129.9	0.0	0.0
Res. Alterations/Additions	<u>823.1</u>	<u>3,021.7</u>	<u>3,037.4</u>	<u>1,002.5</u>	<u>2,468.9</u>
Total Residential	\$1,438.3	\$52,449.3	\$69,628.9	\$77,116.4	\$145,481.6
New Commercial	\$2,312.0	\$3,510.0	\$301.6	\$3,010.0	\$8,253.0
New Industrial	0.0	15,867.3	9,100.0	0.0	0.0
New Other	1,812.2	5,234.6	203.4	5,362.2	13,617.8
Com. Alterations/Additions	<u>5,489.6</u>	<u>3,427.0</u>	<u>98.2</u>	<u>1,166.5</u>	<u>3,061.3</u>
Total Nonresidential	\$9,613.8	\$28,038.9	\$9,703.2	\$9,538.7	\$24,932.1
New Dwelling Units					
Single Family	3	213	332	346	515
Multiple Family	<u>0</u>	<u>0</u>	<u>39</u>	<u>0</u>	<u>0</u>
TOTAL	3	213	371	346	515

Source: Building Permit Summary, Construction Industry Research Board.

CITY OF MURRIETA
Building Permit Valuation
(Valuation in Thousands of Dollars)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Permit Valuation					
New Single-family	\$7,410.0	\$5,125.4	\$65,285.9	\$58,375.1	\$76,887.0
New Multi-family	0.0	28,746.2	26,890.1	15,192.4	16,609.7
Res. Alterations/Additions	<u>916.1</u>	<u>5,012.0</u>	<u>1,463.7</u>	<u>945.7</u>	<u>1,249.4</u>
Total Residential	\$8,326.1	\$38,883.6	\$93,639.7	\$74,513.2	\$94,746.1
New Commercial	\$792.1	\$6,260.5	\$2,643.6	\$20,679.7	\$25,720.4
New Industrial	32.6	0.0	98.3	0.0	3,500.0
New Other	16,860.9	5,351.6	366.7	9,448.3	8,168.1
Com. Alterations/Additions	<u>7,073.6</u>	<u>3,699.3</u>	<u>2,277.0</u>	<u>5,776.7</u>	<u>13,489.5</u>
Total Nonresidential	\$24,759.2	\$15,311.4	\$5,385.6	\$35,904.7	\$50,878.0
New Dwelling Units					
Single Family	17	20	174	144	204
Multiple Family	<u>0</u>	<u>248</u>	<u>271</u>	<u>139</u>	<u>155</u>
TOTAL	17	268	445	283	359

Source: Building Permit Summary, Construction Industry Research Board.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Permit Valuation					
New Single-family	\$1,138,738.1	\$1,296,552.8	\$1,313,084.2	\$1,526,767.8	\$1,670,541.6
New Multi-family	138,636.0	178,116.7	110,458.4	106,291.8	109,309.0
Res. Alterations/Additions	<u>98,219.3</u>	<u>147,081.2</u>	<u>113,199.9</u>	<u>126,474.9</u>	<u>123,566.7</u>
Total Residential	\$1,375,593.4	\$1,621,750.8	\$1,536,742.5	\$1,759,534.5	\$1,903,417.3
New Commercial	\$263,837.7	\$184,137.5	\$36,541.2	\$605,176.8	\$529,284.9
New Industrial	141,184.4	161,321.1	18,886.7	59,439.2	410,275.3
New Other	109,795.2	142,204.3	10,124.1	310,187.3	130,419.0
Com. Alterations/Additions	<u>369,502.4</u>	<u>327,327.1</u>	<u>18,905.8</u>	<u>371,216.4</u>	<u>363,711.3</u>
Total Nonresidential	\$884,319.7	\$814,990.0	\$84,457.9	\$1,346,019.7	\$1,433,690.5
New Dwelling Units					
Single Family	4,716	5,007	5,007	5,662	6,265
Multiple Family	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>
TOTAL	6,143	6,938	6,196	6,701	7,335

Source: Building Permit Summary, Construction Industry Research Board.

County Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are eight regional shopping malls in the County: Riverside Plaza, Galleria at Tyler (Riverside), Palm Springs Mall, Desert Fashion Mall, Indio Fashion Mall, Hemet Valley Mall, Palm Desert Town Center and Moreno Valley Mall at Towngate. There are also three factory outlet malls (Cabazon Outlets, Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following tables list the number of permits and taxable transactions for taxable retail sales within the City of Temecula, the City of Murrieta, and the County.

CITY OF TEMECULA				
Taxable Retail Sales				
(Valuation in Thousands of Dollars)				
Number of Permits and Valuation of Taxable Transactions				
	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2009 ⁽¹⁾	n/a	\$ 0	n/a	\$0
2010 ⁽¹⁾	n/a	0	n/a	0
2011	1,000	124,528	1,441	184,926
2012	1,403	505,475	1,852	726,309
2013	1,916	554,749	2,382	806,187
2014	2,145	542,515	2,622	824,516
2015	2,719	496,246	3,383	867,292
2016	2,695	522,340	3,419	888,190

⁽¹⁾ The City of Temecula incorporated July 1, 2011. Data for calendar years 2009 and 2010 are included in the County total.

Note: As of March 19, 2019, the most current data on the State Board of Equalization website is for the fourth quarter of 2017.

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

CITY OF MURRIETA
Taxable Retail Sales
(Valuation in Thousands of Dollars)
Number of Permits and Valuation of Taxable Transactions

	Retail Stores		Total All Outlets	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2009	1,276	\$747,358	1,893	\$874,619
2010	1,355	782,940	2,014	903,640
2011	1,394	843,900	2,060	965,758
2012	1,422	914,765	2,095	1,035,828
2013	1,405	987,019	2,064	1,147,563
2014	1,490	1,039,978	2,151	1,243,186
2015	1,571	1,089,765	2,517	1,281,529
2016	1,541	1,137,130	2,582	1,340,131

Note: As of March 28, 2019, Calendar Year 2017 data is not yet available.

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

COUNTY OF RIVERSIDE
Taxable Retail Sales
(Valuation in Thousands of Dollars)
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2009	29,829	\$16,057,488	42,765	\$22,227,877
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015	18,662	23,281,724	56,846	32,910,910
2016	38,445	24,022,136	57,771	34,231,144

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

County Agriculture

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

County Transportation

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

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

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

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

County Environmental Control Services

Water Supply. The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand and the County's water supply is supplemented by imported water. At the present time, imported water is provided by the Colorado River Aqueduct and the State Water Project.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Rancho California Water District, the Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The County is also served by the San Gorgonio Pass Water Agency, Desert Water Agency and Palo Verde Irrigation District.

Flood Control. Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Storm Water Unit.

Sewage. There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in the rural unsewered areas of the County rely upon septic tanks and leach fields as an environmentally acceptable method of sewage disposal.

County Education

There are four elementary school districts, one high school district and eighteen unified (K-12) school districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified districts are Riverside Unified School District, Moreno Valley Unified School District and Corona-Norco Unified School District.

There are four community college districts in the County, with nine campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also two universities and a four-year college located in the City of Riverside – the University of California, Riverside, La Sierra University and California Baptist College.

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APPENDIX C

**RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2013-1**

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RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2013-1

The Governing Board ("Board") of the Temecula Valley Unified School District ("District"), acting as the Legislative Body of Community Facilities District No. 2013-1 ("CFD") of the Temecula Valley Unified School District, shall levy and collect special taxes ("Special Taxes") applicable to each Assessor's Parcel (as defined below) of Taxable Property located within the boundaries of the CFD.

The Special Taxes will be levied as herein specified. All property located within the boundaries of the CFD shall be taxed, to the extent and in the manner herein set forth, unless exempted by law or as herein provided.

Section 1. Definitions

The following terms shall, unless otherwise defined herein, have the meaning(s) set forth below:

"Acre(s)" applies only to Undeveloped Property and means the acreage of an Assessor's Parcel as set forth on the most current Riverside County assessor's map if such acreage is shown thereon. If such acreage is not shown on such map, the acreage shall be the acreage information shown upon any recorded subdivision map, parcel map, record of survey, or other recorded document describing the property. If none of the above information is available, or is in conflict, the determination of the acreage shall be made by the District on behalf of the CFD.

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

"Administrative Expense" means any actual or estimated ordinary and necessary expense incurred by the CFD or the District on behalf of the CFD related to the determination, tracking, levy and collection of Special Taxes including, but not limited to, the expenses of collecting delinquencies, the administration of Bonds, the appropriate allocation of salaries and benefits of any District employee whose duties are directly related to the administration of the CFD, and costs otherwise incurred in order to carry out the authorized purposes of the CFD, including, not by way of limitation, applicable legal costs.

"Annual Maximum Special Taxes" means the Annual Maximum Special Tax — Developed Property and the Annual Maximum Special Tax — Undeveloped Property which may be levied annually as described herein.

"Annual Maximum Special Tax - Developed Property" means the maximum Special Tax which may be annually levied on an Assessor's Parcel that has been classified as Developed Property. The Annual Maximum Special Tax - Developed Property is not subject to the Index.

"Annual Maximum Special Tax - Undeveloped Property" means the maximum Special Tax which may be annually levied on an Assessor's Parcel that has been classified as Undeveloped Property as described in Section 3(B). The Annual Maximum Special Tax - Undeveloped Property is not subject to the Index.

"Assessor's Parcel" means a parcel of land as designated on an official map of the County Assessor and for which a discrete identifying parcel number has been assigned.

"Available Funds" means the following sources in those Fiscal Years in which the levy of Special Taxes on Undeveloped Property is required to satisfy the Special Tax Requirement. These sources are (i) earnings from investment of funds in the reserve fund in excess of the reserve requirement and (ii) Special Taxes and the proceeds of collections of delinquent Special Taxes through foreclosure proceedings or otherwise not required to fund Administrative Expenses, replenish the reserve fund or pay past due debt service.

"Board" means the Governing Board of the District.

"Bonds" means bonds or equivalent securities authorized and issued or to be issued on behalf of the CFD, including but not limited to, certificates of participation or leases issued and sold by or on behalf of the CFD or which are to be funded by proceeds of Special Taxes of the CFD, or to which all or a portion of the Special Taxes have been pledged to finance or construct School Facilities.

"Building Square Footage" means for any Assessor's Parcel of Residential Property the square footage of each Dwelling Unit determined by calculating the habitable space of the improvement (exclusive of garages, carports, overhangs or patios). For purposes of this determination, the CFD may rely on the square footage as identified on the building permit(s) issued by the applicable issuing agency. The Building Square Footage will be based upon the building permit(s) issued for each Dwelling Unit prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made after such classification as Occupied Residential Property.

"Certificate of Compliance" means the document prepared by the District or other public agency and signed off by the District to allow for the issuance of a building permit pursuant to Education Code 17620 or any successor section thereto.

"CFD" means Community Facilities District No. 2013-1 of the Temecula Valley Unified School District.

"County" means the County of Riverside.

"Developed Property" means Assessor Parcels for which a building permit has been issued by the applicable agency on or before the March 1 prior to each Fiscal Year which is not Exempt Property and for which the Annual Maximum Special Tax – Developed Property obligation has not been fully prepaid and/or permanently satisfied. Assessor Parcels for which a building permit has been issued by the applicable agency on or before March 1 shall be designated as Developed Property and subject to the levy of the Annual Maximum Special Tax - Developed Property in the following Fiscal Year. If a building permit has been issued for which the improvements to be constructed by the building permit together with previously issued building permits, if applicable, does not constitute the ultimate development of the entire Assessor's Parcel, as reasonably determined by the CFD, the remaining undeveloped portion of the Assessor's Parcel will be classified as Undeveloped Property and will be subject to the levy of the Annual Maximum Special Tax - Undeveloped Property as herein provided.

"District" means the Temecula Valley Unified School District.

"Dwelling Unit" means one residential unit of any configuration, including, but not limited to, a single family attached or detached dwelling unit, Second Dwelling Unit, condominium, an apartment unit, mobile home, or otherwise, but excludes therefrom hotels and motels.

"Exempt Property" means all Assessor Parcels which are exempt from the Special Tax pursuant to law or Section 8, hereof.

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

"Index" means the Marshall and Swift Class "D" Wood Frame Construction Cost Index as shown in the index titled, "Current Building Cost Indexes, Western Division, Class D" for the month of January or such other index as the Board shall determine if the Index herein ceases publication. The Index shall be utilized as prescribed in Section 4 to calculate the escalation of the One-Time Special Tax Developed Property — Mitigation Payment Index.

"Land Use Classification" means the land use classifications listed in Table 1.

"Mitigation Payment" means (i) through and including February 28, 2015, an amount per Dwelling Unit of \$12,894 and (ii) on and after March 1, 2015, an amount per Dwelling Unit of \$12,894 as annually escalated as prescribed in Section 4.

"Non-Residential Property" means property within the CFD for which a Certificate of Compliance is requested or has been issued for the purpose of constructing commercial (including hotels and motels), industrial or any other non-residential use.

"Occupied Residential Property" means all Assessor's Parcels of Residential Property which have closed escrow to an end user (homeowner) for the first time.

"One-Time Special Tax — Developed Property — Mitigation Payment Index" means the Special Tax which may be levied at the time of issuance of a Certificate of Compliance pursuant to Section 4.

"Residential Property" means property for which a Certificate of Compliance is requested or has been Issued for the purpose of constructing one or more Dwelling Units.

"School Facilities" means the design, planning, acquisition, installation, construction and/or financing of interim and permanent facilities, including, but not limited to, classrooms, multi-purpose, administration and auxiliary space at a school, central support and administrative facilities and special education facilities, together with furniture, equipment and technology, in addition to all land or interests in land required for the construction of such on-site or off-site facilities and all land or interests in land required to be provided by the District as mitigation of impacts associated with the development of such School Facilities all with a useful life of five years or longer.

"Second Dwelling Unit" means a Dwelling Unit that is determined by the criteria of the County from time to time to be classified as a second dwelling unit. The requirements are 1) the unit is a detached secondary building, and 2) the unit is larger than 1/50th of the entire parcel, and 3) the unit has its own cooking facilities. Second Dwelling Units are subject to the Annual Maximum Special Tax — Developed Property as classified in Table 1 and Table 2.

"Special Tax" or "Special Taxes" means the special tax to be levied in each Fiscal Year on each Assessor Parcel of Developed Property and Undeveloped Property pursuant to Section 3, and the One-Time Special Tax — Developed Property — Mitigation Payment Index collected pursuant to Section 4, if any, of this Rate and Method of Apportionment.

"Special Tax Requirement" means the total amount required in any Fiscal Year to: (1) Pay annual debt service on all then outstanding Bonds, (2) Pay periodic costs on the Bonds including, but not limited to, credit enhancement and rebate payments on the Bonds, (3) Pay Administrative Expenses, (4) Pay any amounts required to replenish any reserve fund related to all then-outstanding Bonds, and (5) Pay for pay-as-you-go School Facilities, less (6) Available Funds. The addition of any of the amounts added pursuant to item (5) is only to the extent that it does not increase or cause the levy of the Annual Maximum Special Tax - Undeveloped Property.

"Taxable Property" means all Assessor Parcels, except Exempt Property, that are subject to the levy of the Special Taxes.

"Undeveloped Property" means all Assessor Parcels that are not classified as Developed Property or Exempt Property.

Section 2. Assignment to Land Use Classifications

The CFD shall annually classify all Assessor Parcels within the boundaries of the CFD as Developed Property, Undeveloped Property or Exempt Property. Such classification shall be made on or before July 1 of each year. All Developed Property shall be assigned to one of the applicable designated Land Use Classifications listed in Table 1 and taxed as set forth in Table 2. For purposes of this determination, the CFD may rely on the Building Square Footage as identified on the building permit(s) issued by the applicable issuing agency. Undeveloped Property shall be taxed as set forth in Section 3(B) below.

**Table 1
Land Use Classifications for Developed Property**

Land Use Classification	Description	
	Type of Development	Building Square Footage
1	Residential Dwelling Unit	Less than 2,000 square feet
2	Residential Dwelling Unit	2,000 to 2,249 square feet
3	Residential Dwelling Unit	2,250 to 2,499 square feet
4	Residential Dwelling Unit	2,500 to 2,749 square feet
5	Residential Dwelling Unit	2,750 to 2,999 square feet
6	Residential Dwelling Unit	3,000 to 3,249 square feet
7	Residential Dwelling Unit	3,250 to 3,499 square feet
8	Residential Dwelling Unit	3,500 square feet or greater

Section 3. Annual Maximum Special Taxes

A. Annual Maximum Special Tax - Developed Property

The Annual Maximum Special Tax - Developed Property for each Assessor Parcel classified as Developed Property shall be the amount determined by reference to Table 2 as applicable.

Table 2
Annual Maximum Special Tax - Developed Property
Per Land Use Classification

Land Use Classification	Annual Maximum Special Tax — Developed Property
1	\$1,051.26 per Dwelling Unit
2	\$1,121.36 per Dwelling Unit
3	\$1,191.44 per Dwelling Unit
4	\$1,261.52 per Dwelling Unit
5	\$1,374.22 per Dwelling Unit
6	\$1,458.04 per Dwelling Unit
7	\$1,543.24 per Dwelling Unit
8	\$1,683.40 per Dwelling Unit

B. Annual Maximum Special Tax - Undeveloped Property

The Annual Maximum Special Tax - Undeveloped Property for each Assessor Parcel classified as Undeveloped Property shall be \$10,235.00 per Acre.

Section 4. One-Time Special Tax — Developed Property — Mitigation Payment Index

Commencing March 1, 2015, the One-Time Special Tax — Developed Property — Mitigation Payment Index is to be collected at the issuance of each Certificate of Compliance for each Dwelling Unit within the CFD. The effective Mitigation Payment is calculated by multiplying the then current Mitigation Payment by the percentage increase, if any, in the Index determined annually on or before each March 1st. The percentage increase applicable on March 1, 2015, if any, is determined by calculating the change in the Index as published for the January 2015 Index from the January 2014 Index. The percentage increase is annually calculated in the same manner for the same twelve month period (i.e. January to January) on March 1 of each year following. The One Time Special Tax — Developed Property - Mitigation Payment Index due at the time of Certificate of Compliance is equal to the current Mitigation Payment less \$12,894.

Section 5. Levy of the Special Tax

Commencing in Fiscal Year 2013-14, the Board shall levy the Annual Maximum Special Tax - Developed Property on each Assessor's Parcel which is classified as Developed Property. If

additional monies are needed to satisfy the Special Tax Requirement after Bonds have been issued and after taking into account monies to be levied on Developed Property pursuant to the preceding sentence, the Board shall then levy such additional amount by proportionately levying the Annual Maximum Special Tax —Undeveloped Property on each Assessor's Parcel which is classified as Undeveloped Property up to 100% of the Annual Maximum Special Tax — Undeveloped Property for such Undeveloped Property. Under no circumstances shall Special Taxes be levied on Undeveloped Property prior to the issuance of Bonds and, once Bonds are issued, the total amount of the Special Tax levied on Assessor Parcels or portions thereof classified as Undeveloped Property for a Fiscal Year shall not exceed 20% of the Special Tax Requirement for such Fiscal Year.

Section 6. Partial Prepayment of the Annual Maximum Special Tax - Developed Property

A property owner may make a one-time election to prepay a portion of the Annual Maximum Special Tax - Developed Property on an Assessor Parcel for which a Building Permit has been issued or a Certificate of Compliance is requested by notifying the District in writing of such intention no less than thirty (30) calendar days prior to such Assessor Parcel initially being classified as a Occupied Residential Property. The written notification shall include such owner's intent to partially prepay the Annual Maximum Special Tax - Developed Property, the date the Assessor Parcel is expected to be classified as a Occupied Residential Property, a copy of the final map, the acres of each lot, the lot number(s) and Assessor Parcel Number(s) for which partial prepayment is requested, the Building Square Footage of the Dwelling Unit(s) and the percentage by which the Annual Maximum Special Tax - Developed Property shall be prepaid. If partial prepayment is requested on a limited number of Assessor Parcels of a group which will be requesting Certificates of Compliance, the above required information must be supplied on all Assessor Parcels which will be requesting Certificates of Compliance. The partial prepayment formula per dwelling unit is defined as follows:

$$\text{Partial Prepayment Formula per Dwelling Unit: } PP = (PVT \times PCT) + F + RP$$

The variables are defined as: PP, meaning the partial prepayment amount per Dwelling Unit. PVT, meaning the present value of the current Annual Maximum Special Tax — Developed Property using a 6.00% interest rate, prior to the issuance of Bonds, and a term of 35 years. After the issuance of Bonds the interest rate used to calculate the present value will be based on the lesser of 6.0% or the average coupon on the Bonds. PCT, meaning the partial prepayment percent. F, meaning all prepayment fees, and RP, meaning redemption premium on the Bonds, if applicable. The partial prepayment percent shall be indicated in the notification described above.

The District administrator shall provide the owner with a statement of the amount required per Dwelling Unit for the partial prepayment of the Annual Maximum Special Tax - Developed Property within ten (10) business days of the request and may charge a reasonable fee for providing this service. The payment of the partial prepayment of the Annual Maximum Special Tax - Developed Property is payable only by

cashier's check, money order or wire transfer and must be received prior to the property initially being classified as Occupied Residential Property.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of the authorized Annual Maximum Special Taxes that may be levied on all Taxable Property within the CFD after the proposed partial prepayment is at least 1.1 times the annual debt service on the then-outstanding Bonds. Partial prepayment will not adjust the current Fiscal Year levy as denoted by the receipt of funds.

Section 7. Prepayment of the Annual Maximum Special Tax - Developed Property

An Assessor Parcel classified as Developed Property which is subject to the Annual Maximum Special Tax - Developed Property may prepay the *entire outstanding* Special Tax obligation at any time. The prepayment formula per Dwelling Unit is defined as follows:

$$\text{Prepayment Formula: } P = PVT + F + RP$$

The variables are defined as: P, meaning the prepayment amount, PVT, meaning the present value of taxes, F, meaning all prepayment fees, and RP, meaning redemption premium on the Bonds if applicable. The PVT or present value of taxes means the present value of the Annual Maximum Special Tax - Developed Property applicable to the Assessor Parcel in each remaining Fiscal Year that such Special Taxes may be levied subsequent to the Fiscal Year in which the calculation is made. The present value of the Annual Maximum Special Tax - Developed Property is calculated by using an interest rate of 6.0% prior to the issuance of Bonds. After the issuance of Bonds the interest rate used to calculate the present value will be based on the lesser of 6.0% or the average coupon on the Bonds. The remaining Fiscal Years, or the term for the present value calculation, is calculated by subtracting the number of years, including the present Fiscal Year, the Assessor Parcel has been subject to the Annual Maximum Special Tax - Developed Property from thirty-five (35). The current year's Special Taxes must be paid directly to the County and will not be accepted by the District with the prepayment.

Prepayment fees or F means the fees of the District, the fiscal agent and any consultants retained by the District in connection with the prepayment calculations and redemption of the Bonds.

Redemption premium on the Bonds or RP means a prepayment premium as set forth in the Bond issuance documents for a mandatory redemption of the Bonds as of the prepayment date (if any).

Bonds shall be redeemed in a manner such that the yield on the Bonds outstanding after the completion of the prepayment is as close as possible to the original yield on all of the Bonds.

Prepayments must be received prior to June 1 to be effective in the following Fiscal Year. In addition, any property owner prepaying his or her Annual Maximum Special Tax - Developed Property must also pay the present Fiscal Year levy and all delinquent Special Taxes, interest and penalties, if any, owing on the Assessor Parcel to the County of Riverside on which prepayment is being made.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of the authorized Annual Maximum Special Taxes that may be levied on all Taxable Property within the CFD after the proposed prepayment is at least 1.1 times the annual debt service on the then-outstanding Bonds. Prepayment will not adjust the current Fiscal Year levy as denoted by the receipt of funds.

Section 8. Limitations

The CFD shall not levy any Special Taxes on properties conveyed or irrevocably dedicated to a public agency, land which is in the public right-of-way, unmanned utility easements which make utilization for other than the purpose set forth in the easement impractical, common areas, homeowners association property, private streets, school, parks, and open space lots. Except as set forth above, the Board shall not levy any Special Taxes on properties which are owned by the State of California, Federal or other local governments, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act. Nonresidential Property shall not be subject to the levy of Special Taxes but are subject to applicable statutory fees.

Section 9. Manner of Collection

The Annual Maximum Special Taxes will be collected in the same manner and at the same time as ordinary ad valorem real property taxes. The Annual Maximum Special Taxes shall be subject to the same penalties, procedures, sale and lien priority in any case of delinquency as provided for with ad valorem taxes. The collection of the Annual Maximum Special Taxes shall otherwise be subject to the provisions of the Act. The Board reserves the power to provide for alternative means of collection of Special Taxes as permitted by the Act.

Section 10. Term of the Special Taxes

The Annual Maximum Special Tax — Developed Property shall be levied for a period not to exceed thirty-five (35) years for each Dwelling Unit classified as Developed Property.

Section 11. Review/Appeals Panel

The Board shall establish, as part of the proceedings and administration of CFD No. 2013-1, a Review/Appeals Panel. Any landowner who feels that the amount of the Special Tax, as to his or her Assessor's Parcel(s), is in error may file a notice with the Review/Appeals Panel appealing

the amount of the levy. The Review/Appeals Panel shall interpret this Rate and Method of Apportionment of the Special Taxes and make determinations relative to the annual administration of the Special Taxes and any landowner appeals, as herein specified. The time period used for calculating any refund shall be limited to the current fiscal year of the appeal.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

COMMUNITY FACILITIES DISTRICT NO. 2013-1 OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT SERIES 2019 SPECIAL TAX BONDS

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

Definitions

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

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

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

“Administrative Expense Requirement” means an amount up to a maximum of \$50,000 per Fiscal Year, which amount shall escalate at one percent (1.00%) per Fiscal Year after Fiscal Year 2018-19.

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

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

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

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

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

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

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

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

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

(e) Registered bonds, notes, warrants or other evidences of indebtedness of any local agency of the State, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, where the interest on such local agency obligation is exempt from federal and State income taxes and which are rated in one of the two highest short-term or long-term rating categories by Moody's or Standard & Poor's.

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

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

(g) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Moody’s and Standard & Poor’s, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an “A2” or “A” or higher rating for the issuer’s debentures, other than commercial paper, by Moody’s and Standard & Poor’s, provided that purchases of eligible commercial paper may not exceed 180 days’ maturity nor represent more than ten percent (10%) of the outstanding commercial paper of an issuing corporation. Purchases of commercial paper may not exceed twenty percent (20%) of the proceeds of the Series 2019 Special Tax Bonds.

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

- (1)
 - (A) The agreement is secured by any one or more of the securities described in clause (a) above of this definition of Authorized Investments (“Underlying Securities”);
 - (B) The Underlying Securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the issuer of the repurchase agreement (“Holder of Collateral”) and the Underlying Securities have been transferred to the Holder of Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books); and
 - (C) The Underlying Securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than one hundred three percent (103%) of the amount so invested and at such levels and additional conditions not otherwise in conflict with the terms above as would be acceptable to Standard & Poor’s and Moody’s to maintain an “A2” or “A” rating in an “A2” or “A” rated structured financing (with a market value approach).
- (2) The repurchase agreement shall provide that if during its term the provider’s rating by Moody’s and Standard & Poor’s is withdrawn or suspended or falls below “A-” by Standard & Poor’s or “A3” by Moody’s, as appropriate, the provider must within ten (10) days of receipt of direction from the Fiscal Agent, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.

(i) An investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution, the long-term unsecured obligations of which are rated “Aa1” or “AA” or better by Moody’s and Standard & Poor’s at the time of initial investment (“Provider”). The investment agreement shall be subject to a downgrade provision with at least the following requirements:

- (1) If within five Business Days after the Provider’s long-term unsecured credit rating has been reduced below “AA-” by Standard & Poor’s or below “Aa3” by Moody’s (these events are called “Rating Downgrades”), the Provider shall

give notice to the Fiscal Agent and the District and, within the five-day period, and for as long as the Rating Downgrade is in effect, shall deliver or transfer in the name of the District to the Fiscal Agent or a third party acting solely as agent therefore (the “Holder of Collateral”) (other than by means of entries on the Provider’s books) federal securities allowed as investments under clause (a) above with aggregate current market value equal to at least one hundred five percent (105%) of the principal amount of the investment agreement invested with the Provider at that time, and shall deliver additional such federal securities as needed to maintain an aggregate current market value equal to at least one hundred five percent (105%) of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly.

- (2) If the Provider’s long-term unsecured credit rating is withdrawn, suspended, other than because of general withdrawal or suspension by Moody’s or Standard & Poor’s from the practice of rating that debt, or reduced below “Aa3” by Moody’s or below “AA-” by Standard & Poor’s, the Provider shall give notice of the rating downgrade to the District and the Fiscal Agent, shall, upon five Business Days’ written notice to the Provider, withdraw the investment agreement, with accrued but unpaid interest thereon to the date, and terminate such agreement.

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

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

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

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

“Bond Counsel” means a firm of nationally recognized bond attorneys, initially Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation.

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

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

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

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

“Bonds” or “Series 2019 Special Tax Bonds” means the Community Facilities District No. 2013-1 of the Temecula Valley Unified School District Series 2019 Special Tax Bonds.

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

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

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

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

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

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the District or School District and related to the authorization, issuance and sale of the Series 2019 Special Tax Bonds, which items of expense shall include, but not be limited to, costs of formation of CFD No. 2013-1, printing costs, cost of reproducing and binding documents, closing costs, appraisal costs, mortgage study costs, filing and recording fees, fees and expenses of counsel to the District or School District, initial fees and expenses of the Fiscal Agent, including its first annual administration fee and fees of its counsel, expenses incurred by the District and the School District in connection with the authorization and issuance of the Series 2019 Special Tax Bonds and the establishment of the District, contractual reimbursements due from CFD No. 2013-1, legal fees and charges, including Bond Counsel and Disclosure Counsel, District financial consultants’ fees, charges for execution, transportation and safekeeping of the Series 2019 Special Tax Bonds and other costs, charges and fees in connection with the foregoing.

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

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

“Depository” means any depository which holds Series 2019 Special Tax Bonds pursuant to the terms of the Fiscal Agent Agreement, initially The Depository Trust Company (DTC).

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

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

“District” or “CFD No. 2013-1” means Community Facilities District No. 2013-1 of the Temecula Valley Unified School District.

“District Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate furnished by the District, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

(i) the excess of

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

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

plus

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

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

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

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

“Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as of April 1, 2019, entered into by and between the District and the Fiscal Agent, as amended or supplemented pursuant to the terms thereof.

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

“Gross Proceeds” means any proceeds of the Series 2019 Special Tax Bonds and any funds (other than proceeds of the Series 2019 Special Tax Bonds) that are part of a reserve or replacement fund for the Series 2019 Special Tax Bonds within the meaning of Section 1.148-1(b) of the Regulations.

“Gross Taxes” means the amount of all Special Taxes collected within Community Facilities District No. 2013-1 as set out in the Rate and Method, and proceeds from the sale of property collected

pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes.

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

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

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

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

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

“Legislative Body” means the Board of Education, acting as the Legislative Body of the District.

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

“Mandatory Sinking Payments” means the amounts to be applied to the redemption of the Series 2019 Special Tax Bonds in accordance with the schedule set forth in the Fiscal Agent Agreement and any subsequent schedule set forth in any Supplement.

“Maximum Annual Debt Service” means the maximum sum obtained for any remaining Bond Year prior to the final maturity on the Series 2019 Special Tax Bonds by totaling the following for each Bond Year:

- (1) the principal amount of all Outstanding Series 2019 Special Tax Bonds payable in such Bond Year whether at maturity or by redemption, together with any applicable premium thereon, if any premium is payable; and
- (2) the interest payable on the aggregate principal amount of Series 2019 Special Tax Bonds Outstanding in such Bond Year assuming the Series 2019 Special Tax Bonds are retired as scheduled.

“Moody’s” means Moody’s Investors Services, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term

“Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

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

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

“Nonpurpose Investments” means any security, investment, obligation, annuity, investment-type property, specified private activity bond or any other type of investment property defined in Section 148 of the Code in which Gross Proceeds are invested (other than tax-exempt securities which are described in Section 103(a) of the Code) and which is not acquired to carry out the governmental purpose of the Series 2019 Special Tax Bonds.

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

“Ordinance” means Ordinance No. 2012-13-3 adopted by the Board, acting as the Legislative Body, on July 16, 2013.

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

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

“Participating Underwriter” shall have the meaning ascribed thereto in the District Continuing Disclosure Certificate.

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

“Prepaid Special Taxes” means all Special Taxes prepaid to the District pursuant to Resolution No. 2012-13/44 of the School District, and the Rate and Method, during the term of the Fiscal Agent Agreement, less related applicable Administrative Expenses.

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

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

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

“Project” means the “Facilities,” or any portion thereof, as defined in the Resolution of Formation, and the Community Facilities District Report, dated June 18, 2013, to be designed, constructed, acquired, financed, installed or completed by the District or the School District, as applicable.

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

“Purchase Price” for the purpose of computation of the Yield of the Series 2019 Special Tax Bonds, has the meaning set forth in Treasury Regulations §1.148-1(f), and, in general, means for each maturity of the Series 2019 Special Tax Bonds the initial offering price to the public (not including bond houses and brokers, or similar Persons or organizations acting in the capacity of underwriters or wholesalers) at which price at least 10% of such is sold or, if the Series 2019 Special Tax Bonds are privately placed, the price paid by the original purchaser or the acquisition cost of the original purchaser for each such maturity. The term “Purchase Price,” for the purpose of computation of the Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds for acquisition thereof, or, if later, on the date that Investment Property (as defined in Section 148(b)(2) and (3) of the Code) constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2019 Special Tax Bonds, as the case may be.

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

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

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

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

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

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

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

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

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

“Resolution of Issuance” means Resolution No. 2018-19/21 of the District adopted by the Legislative Body, dated March 19, 2019, authorizing the issuance of the Series 2019 Special Tax Bonds and approving, among other things, the Fiscal Agent Agreement.

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

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

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

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

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

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

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

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

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

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, then the terms “S&P” and “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“State” means the State of California.

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

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

“Term Bond(s)” means the Series 2019 Special Tax Bonds maturing September 1, 2044, and September 1, 2049.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated.

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

Bond Terms

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

Purpose of the Bonds. The Series 2019 Special Tax Bonds are being issued, pursuant to the Act, to (i) finance School Facilities for the School District, (ii) fund a Reserve Fund for the Series 2019 Special Tax Bonds, (iii) fund capitalized interest on the Series 2019 Special Tax Bonds for a period of time, and (iv) pay certain Costs of Issuance. See “INTRODUCTION – Purpose of the Bonds,” “ESTIMATED SOURCES AND USES OF FUNDS” and “FACILITIES TO BE FINANCED WITH THE PROCEEDS OF THE BONDS” in the Official Statement for further information.

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

The Series 2019 Special Tax Bonds and interest thereon are not payable from the general fund of the District or the School District. Except with respect to the Net Taxes, neither the credit nor the taxing power of the District or the School District is pledged for the payment of the Series 2019 Special Tax Bonds or interest thereon, and no Owner of the Series 2019 Special Tax Bonds may compel the exercise of the taxing power by the District (except with respect to the Net Taxes) or the School District or the forfeiture of any of their property. The principal of and interest on the Series 2019 Special Tax Bonds, and premiums, if any, upon the redemption of any thereof, are not a debt of the District or the School District, the State nor any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Series 2019 Special Tax Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the District or the School District, except the Net Taxes which are, under the terms of the Fiscal Agent Agreement, pledged and set aside for the payment of the Series 2019 Special Tax Bonds and interest thereon. Neither the members of the Legislative Body or the Board nor any Persons executing the Series 2019 Special Tax

Bonds are personally liable on the Series 2019 Special Tax Bonds by reason of their issuance (see “INTRODUCTION,” “SECURITY FOR THE BONDS – Special Taxes” and “BONDOWNERS’ RISKS – The Bonds Are Limited Obligations of the Community Facilities District” and “– Insufficiency of the Special Tax” in the Official Statement for further information).

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

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

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

Funds and Accounts

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

Special Tax Fund. The Special Taxes and other amounts constituting Gross Taxes collected by the District shall be transferred (exclusive of Prepaid Special Taxes which shall be deposited into the Prepayment Account of the Special Tax Fund) no later than 10 days after receipt thereof, to the Fiscal Agent and shall be held in trust in the Special Tax Fund for the benefit of the District and the Bondowners (exclusive of the Administrative Expense Requirement, as set forth below) and shall, exclusive of the Prepaid Special Taxes, be transferred from the Special Tax Fund in the following order of priority:

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

(b) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Series 2019 Special Tax Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Series 2019 Special Tax Bonds as the same become due.

(c) To the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Series 2019 Special Tax Bonds during the current Bond Year.

(d) To the Sinking Fund Redemption Account of the Redemption Fund an amount up to the amount needed to make the Mandatory Sinking Payments due on the Series 2019 Special Tax Bonds which are Term Bonds, if any, during the current Bond Year.

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

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

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

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

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

At the date of the redemption, defeasance or maturity of the last Series 2019 Special Tax Bond and after all principal and interest then due on any Series 2019 Special Tax Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, moneys in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose. Funds in the Special Tax Fund shall be invested in accordance with the provisions of the Fiscal Agent Agreement. Investment earnings on amounts in the Special Tax Fund, if any, shall be retained therein (see “SECURITY FOR THE BONDS – Special Tax Fund” in the Official Statement for further information).

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

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

Bond Fund. The Bond Fund (in which there is established an Interest Account and a Principal Account), is used to disperse payments of principal and interest to the Bondowners on each respective Interest Payment Date. Two Business Days prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund, or the Reserve Fund in the event that sufficient moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to all of the principal and all of the interest due and payable on Series 2019 Special Tax Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund available to pay principal and/or interest on such Series 2019 Special Tax Bonds. Notwithstanding the foregoing, amounts in the Bond Fund resulting from transfers from the Construction Fund pursuant to the Fiscal Agent Agreement shall be used to pay the principal of and interest on such Series 2019 Special Tax Bonds prior to the use of any other amounts in the Bond Fund for such purpose. The Fiscal Agent shall apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Series 2019 Special Tax Bonds on each Interest Payment Date.

Funds deposited into the Capitalized Interest Subaccount of the Interest Account of the Bond Fund shall be withdrawn by the Fiscal Agent and deposited into the Interest Account of the Bond Fund in

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

Funds held in the Bond Fund shall be invested in accordance with the Fiscal Agent Agreement. All investment earnings and profits resulting from such investment shall be retained in the accounts established for the Series 2019 Special Tax Bonds in the Bond Fund and used to pay principal of and interest on the Series 2019 Special Tax Bonds. Upon final maturity of the Series 2019 Special Tax Bonds and the payment of all principal of and interest on the Series 2019 Special Tax Bonds, any moneys remaining in the Bond Fund shall be transferred to the Special Tax Fund (see “SECURITY FOR THE BONDS – Bond Fund” in the Official Statement for further information).

Reserve Fund. There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the Series 2019 Special Tax Bonds, the Reserve Requirement shall thereafter be determined by the District and communicated to the Fiscal Agent in writing and any funds in excess of such predetermined Reserve Requirement shall be utilized as set forth in the Fiscal Agent Agreement. If Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original aggregate principal of the Bonds, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement) will be applied to the redemption of the Bonds as provided in the Fiscal Agent Agreement.

Except as provided in the following paragraph with respect to certain investment earnings, moneys in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Mandatory Sinking Payments, and interest and premium on Series 2019 Special Tax Bonds when due to the extent that moneys in the Interest Account and the Principal Account of the Bond Fund or moneys in the Sinking Fund Redemption Account, as applicable, are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the District; (iii) making any transfers to the Bond Fund or Redemption Fund in connection with prepayments of the Special Taxes; (iv) paying the principal and interest due on Series 2019 Special Tax Bonds in the final Bond Year; and (v) application to the defeasance of Series 2019 Special Tax Bonds in accordance with the Fiscal Agent Agreement. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Fund Redemption Account of the Redemption Fund, as provided for in the Fiscal Agent Agreement, are insufficient to pay the principal of, including Mandatory Sinking Payments, or interest on the Series 2019 Special Tax Bonds when due, the Fiscal Agent shall, one Business Day prior to the corresponding Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, moneys necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, the Fiscal Agent shall notify the District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

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

Notwithstanding anything in the Fiscal Agent Agreement to the contrary, the Fiscal Agent shall transfer to the Reserve Fund, from available moneys in the Special Tax Fund, the amount needed to restore the Reserve Fund to the Reserve Requirement as specified in the Fiscal Agent Agreement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Fund only if such amounts will not be needed to make the deposit required to be made to the Interest Account and the Principal Account of the Bond Fund or the Sinking Fund Redemption Account of the Redemption Fund for the next Interest Payment Date. See “SECURITY FOR THE BONDS – Reserve Fund” in the Official Statement and “**Funds and Accounts** – Special Tax Fund” above for more information.

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

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

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

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

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

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

Rebate Fund. The Fiscal Agent Agreement provides for the creation of the Rebate Fund when and as required to make arbitrage rebate payments as required under the terms of the Fiscal Agent Agreement and the Tax Certificate in order to comply with the requirements of the Code and the Regulations. Funds deposited into the Rebate Fund are not available to pay principal and interest on the Bonds. See “SECURITY FOR THE BONDS – Payment of Rebate Obligation” in the Official Statement for further information.

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

Moneys in the Residual Fund may be used by the District for (i) acquisition and/or construction of School Facilities; (ii) to make deposits to the Rebate Fund under the Fiscal Agent Agreement for the purposes of paying Rebateable Arbitrage (as defined in the Tax Certificate) as and when such is due in accordance with the Tax Certificate and the Regulations; (iii) at the option of the District, for the optional

redemption of any of the Bonds under the provisions of the Fiscal Agent Agreement; (iv) to fund Administrative Expenses; or (v) for any lawful purpose as directed by the District. Moneys on deposit in the Residual Fund are not pledged for payment of principal of, or interest or premium(s) on, the Bonds, and are not subject to any Bondowner's lien.

Moneys in the Residual Fund shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits from such investment(s) shall remain therein and be applied in the manner provided in the Fiscal Agent Agreement. Interest earnings and profits or amounts in the Residual Fund are not subject to rebate requirements.

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

Redemption of Bonds

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

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

Covenants

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

Covenant 1. Punctual Payment. The District will duly and punctually pay, or cause to be paid, the principal of and interest on every Series 2019 Special Tax Bond issued under the Fiscal Agent Agreement, together with the premium thereon, if any be payable, on the date, at the place and in the manner mentioned in the Series 2019 Special Tax Bonds and in accordance with the Fiscal Agent Agreement and any Supplement to the extent Net Taxes are available therefor, and that the payments into the Bond Fund and the Reserve Fund will be made, all in strict conformity with the terms of the Series

2019 Special Tax Bonds and the Fiscal Agent Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and any Supplement and of the Series 2019 Special Tax Bonds issued under the Fiscal Agent Agreement, and that time of such payment and performance is of the essence of the District's contract with the Bondowners.

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

On or before each June 1, commencing June 1, 2019, the Fiscal Agent shall provide a written notice to the District stating the amounts then on deposit in the various funds and accounts established by the Fiscal Agent Agreement as well as fees of the Fiscal Agent coming due during the next Fiscal Year. The receipt of such notice by the District shall in no way affect the obligations of the District under the following paragraphs. Upon receipt of a copy of such notice, the District shall communicate with the Riverside County Treasurer-Tax Collector or other appropriate official of the County of Riverside to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then-current year.

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

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

Notwithstanding the provisions of Covenant 2, or elsewhere in the Fiscal Agent Agreement, the District reserves the right under the terms of the Fiscal Agent Agreement to levy the Special Taxes at a rate below the Annual Maximum Special Tax rate (as defined in the Rate and Method) within a given Fiscal Year so long as the minimum Special Taxes to be collected in such Fiscal Year shall conform to the requirements set out in Covenant 5, which shall be certified to, in writing, by an Independent Financial Consultant.

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

In order to determine if there are delinquencies with respect to the payment of the Special Taxes, no later than March 1 and August 1 in each year ("reconciliation date") commencing August 1, 2019, the District shall reconcile or cause to be reconciled the amount of Special Taxes levied to the amount of Special Taxes actually theretofore reported by the County as paid and received. No later than 45 days

after the reconciliation date, commencing on the first reconciliation date in 2019 (August 1), the District shall send or cause to be sent a notice of delinquency to all property owners reported to be delinquent in the payment of the Special Taxes as of the reconciliation date.

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

See “THE BONDS – General Provisions,” “BONDOWNERS’ RISKS – Insufficiency of the Special Tax” in the Official Statement for further information.

Covenant 3. Commence Foreclosure Proceedings. Not later than August 1 of each Fiscal Year, the District will compare the amount of Special Taxes theretofore levied in the prior Fiscal Year to the amount of Special Taxes theretofore reported by the County as paid and received, and:

(A) Individual Delinquencies. If the District determines that any single parcel within the District is delinquent in the payment of all or a portion of three semi-annual installments of Special Taxes then the District shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the District as to each parcel that received the delinquency notification within 120 days of such determination, to the extent permissible under applicable law.

(B) Aggregate Delinquencies. If the District determines that (i) the total amount of delinquent Special Taxes for the prior Fiscal Year for the District (including the total of delinquencies under paragraph (A) above) exceeds 5% of the total Special Taxes due and payable for the prior Fiscal Year, and (ii) the Reserve Fund is less than the Reserve Requirement, the District shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 120 days of such August 1 determination against each parcel of land within the District that received the delinquency notification with a Special Tax delinquency, to the extent permissible under applicable law and shall thereafter diligently proceed with such foreclosure action(s) and/or proceedings in Superior Court to the extent permitted by law.

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

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

(including interest and penalties thereon) to warrant the cost of such foreclosure proceedings.

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

The District reserves the right to elect to accept payment from a property owner of at least the enrolled amount of the Special Taxes for a parcel(s) but less than the full amount of the penalties, interest, costs and attorneys' fees related to the Special Tax delinquency for such parcel(s). The Bondowners are deemed to have consented to the foregoing reserved right of the District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary. The Bondowners, by their acceptance of the Series 2019 Special Tax Bonds, consent to such payment for such lesser amounts.

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

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

(ii) The District may permit, in its sole and absolute discretion, property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bondowners. **The Bondowners, by their acceptance of the Series 2019 Special Tax Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the District and the School District, and their respective officers and agents, from any liability in connection therewith.** If such sale for lesser amounts would result in less than full payment of principal of and interest on the Series 2019 Special Tax Bonds, the District will use its best efforts to seek approval of the Bondowners.

The Board has specifically delegated to the School District's Assistant Superintendent of Business Support Services, Director of Fiscal Services, or their respective designee(s), all necessary authority in order to:

(a) pursue collection of all such Special Taxes pursuant to the provisions of such Covenant 3 and the terms and conditions of the Fiscal Agent Agreement;

(b) contract for such services as necessary for collection of such Special Taxes, including, but not limited to, legal services for any applicable foreclosure proceedings, the cost thereof to be borne by the District (subject to Board ratification of any expenditures which are not drawn from the Administrative Expense Fund) and the property owners that have failed to timely pay such Special Taxes, including all costs, interest, and penalties consistent with applicable law;

(c) file, or authorize to be filed, actions up to and including legal action(s) necessary to collect any delinquent Special Taxes including foreclosure of any lien securing such Special Taxes;

(d) that as provided by the Act, authorize the payment of the costs and attorneys' fees for prosecution of such litigation as is authorized on behalf of the District on redemption prior to entry of

judgment as well as on post-judgment redemption, and by the Fiscal Agent Agreement the District authorizes such counsel retained by the District to require payment on the District's behalf of all costs and all attorneys' fees incurred in applicable litigation as a condition of such redemption; and/or

(e) in conjunction with counsel retained by the District, and other District consultants, authorize, pursuant to Government Code Section 53356.2: (i) the recording of notices of intent to remove the delinquent Special Taxes from the tax rolls, and (ii) requests that the applicable County officials remove current and future delinquent Special Taxes from the tax rolls.

All actions undertaken by the Assistant Superintendent of Business Support Services and Director of Fiscal Services, or their respective designees, pursuant to the provisions of such Covenant shall be reported to the Board on a regular basis and are subject to the authority of the Board to subsequently direct different or alternative action(s) in such regard.

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

See "SECURITY FOR THE BONDS – Proceeds of Foreclosure Sales" and "BONDOWNERS' RISKS" in the Official Statement for further information.

Covenant 4. Against Encumbrances. The District will not encumber, pledge or place any charge or lien upon any of the Net Taxes or other amounts pledged to the Bonds superior to, or on a parity with, the pledge and lien created for the benefit of the Bonds in the Fiscal Agent Agreement, except as permitted by the Fiscal Agent Agreement and as to bonds issued to fully or partially refund the Bonds.

Covenant 5. Modification of Maximum Authorized Special Tax. The District covenants that no modification of the maximum authorized Special Taxes applicable to the District shall be approved by the District which would prohibit the District from levying the Special Tax on Developed Property within the District in any Fiscal Year at such a rate as could generate Special Taxes within the District in each Fiscal Year at least equal to 110% of Annual Debt Service plus estimated annual Administrative Expenses.

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

Covenant 6. Protection of Security and Rights of Owners. The District will preserve and protect the security of the District and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all Persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Covenant 7. Compliance with Law, Completion of Project. The District will comply with all applicable provisions of the Act and law in completing the acquisition and construction of the Project; provided, that the District shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefore in the School Facilities Account of the Construction Fund.

Covenant 8. Books and Accounts. The District will keep, or cause to be kept, proper books of records and accounts, separate from all other records and accounts of the Series 2019 Special Tax Bonds, in which complete and correct entries shall be made of all transactions relating to the Series 2019 Special

Tax Bonds and the Project, the levy of the Special Tax within the District and the deposits to the Special Tax Fund including the Prepayment Account. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) of the principal amount of the Series 2019 Special Tax Bonds then Outstanding or their representatives authorized in writing.

Covenant 9. Tax Covenant. The District covenants and represents by the Fiscal Agent Agreement that until the last Bonds shall have been fully paid or redeemed, the District will comply with all requirements of the Tax Certificate, the Code and all applicable Regulations, such that the interest on the Series 2019 Special Tax Bonds will remain excluded from gross income for federal income tax purposes.

Covenant 10. Additional Tax Covenants. Covenant 10, as fully set forth in the Fiscal Agent Agreement, provides for additional covenants of the District in order to preserve and protect the tax-exempt status of the Series 2019 Special Tax Bonds.

Covenant 11. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the obligations and covenants under the Fiscal Agent Agreement and any Supplement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement and in any Supplement.

Covenant 12. Additional Opinion(s). The District will not make any change in requirements or procedures or take any action, as to which change or action the Fiscal Agent Agreement or related documents require an opinion of nationally recognized Bond Counsel, unless it obtains an opinion of Bond Counsel to the effect that (a) interest on the Series 2019 Special Tax Bonds was excluded from gross income for federal income tax purposes from their date of issuance until the date of such change, assuming compliance with the covenants in the Fiscal Agent Agreement as they were in effect prior to the change (except that such opinion need not be given as to any interest for which a similar opinion has previously been given and remains in effect subsequent to such change), and (b) assuming continued compliance by the District with the covenants as changed, interest on the Series 2019 Special Tax Bonds is excluded from gross income for purposes of federal income taxation.

Covenant 13. Tender of Series 2019 Special Tax Bonds. The District will not, in collecting the Special Taxes within the District or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.5 of the California Government Code in any manner which would be inconsistent with the interests of the Owners and, in particular, will not permit the tender of Series 2019 Special Tax Bonds in full or partial payment of Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Series 2019 Special Tax Bonds remaining Outstanding following such tender.

Covenant 14. Additional Special Tax Bonds or Obligations. The District shall not issue any additional bonds, notes or other similar evidences of indebtedness payable, in whole or in part, out of Net Taxes except: (i) bonds issued to fully or partially refund the Outstanding Series 2019 Special Tax Bonds; and (ii) subordinate bonds, notes or other similar evidences of indebtedness (see "SECURITY FOR THE BONDS – Additional Bonds for Refunding Purposes Only" in the Official Statement).

Covenant 15. Annual Reports.

(a) Annual Reports to the California Debt and Investment Advisory Commission. Not later than October 30 of each year, commencing October 30, 2019, and until the October 30 following the final

maturity of the Bonds, the District shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 53359.5(b) of the Act, as it may be amended from time to time. Such information shall be made available to any Owner upon written request to the District accompanied by a fee determined by the District to pay the costs of the District in connection therewith. The District shall in no event be liable to any Owner or any other Person or entity in connection with any error in any such information.

(b) If at any time the Fiscal Agent fails to pay principal or interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal or interest on the Bonds, such that the amount(s) in the Reserve Fund are reduced below the Reserve Requirement, the Fiscal Agent shall notify the District in writing of such failure or withdrawal, and the District shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within 10 days of the failure to make such payment or the date of such withdrawal.

(c) The reporting requirements of such Covenant 15 shall be amended from time to time, without action by the District or the Fiscal Agent to reflect any future amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. The District shall provide the Fiscal Agent with a copy of any such amendment. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the District's obligations under any continuing disclosure documentation relating to the Series 2019 Special Tax Bonds.

(d) The District shall cause annual reports to be filed in conformance with the requirements of Government Code Section 8855(k).

(e) None of the District, its officers, agents, employees or Authorized Representatives, or the Fiscal Agent, shall be liable to any Person or party for any inadvertent error in reporting the information contained in such Covenant 15.

Continuing Disclosure Covenant. The District has covenanted and agreed in the Fiscal Agent Agreement that it will comply with and carry out all of its obligations under the District Continuing Disclosure Certificate. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the District to comply with its obligations under the District Continuing Disclosure Certificate shall not be considered an event of default under the Fiscal Agent Agreement, and the sole remedy, in the event of any failure of the District to comply with the District Continuing Disclosure Certificate, shall be an action to compel performance thereof. The Fiscal Agent may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2019 Special Tax Bonds, shall upon the receipt of indemnity for its fees and costs), or any Bondowner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under such Covenant. For purposes of this paragraph, "Beneficial Owners" means any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2019 Special Tax Bonds (including Persons holding Series 2019 Special Tax Bonds through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Series 2019 Special Tax Bonds for federal income tax purposes. (see "CONTINUING DISCLOSURE" in the Official Statement for further information).

Amendments to Fiscal Agent Agreement

The District may from time to time, and at any time, without notice to, or consent of, any of the Owners, adopt Supplements to the Fiscal Agent Agreement for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provision in the Fiscal Agent Agreement which may be inconsistent with any other provision therein, or to make any other provision

with respect to matters or questions arising under the Fiscal Agent Agreement, or in any Supplement, provided that such action shall not have a material adverse effect on the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Fiscal Agent Agreement which are not contrary to or inconsistent with the Fiscal Agent Agreement as theretofore in effect; or

(c) to modify, alter, amend or supplement the Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners, including, but not limited to, providing for the rating (if any) or insuring (if any) of the Series 2019 Special Tax Bonds.

Exclusive of amendments supplemental to the Fiscal Agent Agreement covered by (a), above, the Owners of not less than 60% in aggregate principal amount of the Series 2019 Special Tax Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such amendments or orders supplemental to the Fiscal Agent Agreement as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Fiscal Agent Agreement; provided, however, that nothing in the Fiscal Agent Agreement shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Series 2019 Special Tax Bonds, (b) a reduction in the principal amount of, or redemption premium on, any Series 2019 Special Tax Bonds or the rate of interest thereon, (c) a preference or priority of any Series 2019 Special Tax Bonds over any other Series 2019 Special Tax Bonds, or (d) a reduction in the aggregate principal amount of the Series 2019 Special Tax Bonds the Owners of which are required to consent to such Supplement, without, in the case of (a) or (b), the consent of the affected Owner, or, in the case of (c) or (d), the consent of the Owners of all Series 2019 Special Tax Bonds then Outstanding.

Supplements Requiring Owner Consent. If at any time the District shall desire to adopt a Supplement to the Fiscal Agent Agreement which, pursuant to the terms of the Fiscal Agent Agreement, shall require the consent of the Owners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplement to be mailed, postage prepaid, to all Owners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the Principal Corporate Trust Office for inspection by all Owners. The failure of any Owner to receive such notice shall not affect the validity of such Supplement when consented to and approved as provided in the Fiscal Agent Agreement. Whenever at any time within one year after the date of the first mailing of such notice the Fiscal Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Series 2019 Special Tax Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplement described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy thereof referred to in such notice as on file with the Fiscal Agent, such proposed Supplement, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Series 2019 Special Tax Bonds as referred to in the Fiscal Agent Agreement. In determining whether the Owners of 60% of the aggregate principal amount of the Series 2019 Special Tax Bonds have consented to the adoption of any Supplement, Series 2019 Special Tax Bonds which are known to the Fiscal Agent to be owned by the District or by any Person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplement to the Fiscal Agent Agreement and the receipt of consent to any such amendment from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of the Fiscal Agent Agreement, the Fiscal Agent Agreement shall be, and shall be deemed to be, modified and amended in accordance

therewith, and the respective rights, duties and obligations under the Fiscal Agent Agreement of the District and all Owners of Series 2019 Special Tax Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Fiscal Agent Agreement, subject in all respects to such modifications and amendments. Notwithstanding anything in the Fiscal Agent Agreement to the contrary, no Supplement shall be entered into which would modify the duties of the Fiscal Agent under the Fiscal Agent Agreement without the prior written consent of the Fiscal Agent.

Fiscal Agent

The Fiscal Agent is appointed and takes authorized actions under the terms of the Fiscal Agent Agreement. The initial Fiscal Agent may be removed or replaced by the District upon 30 days' prior written notice (except during the continuance of an event of default, as further discussed below) or may resign in favor of a successor Fiscal Agent. The Fiscal Agent Agreement provides for certain minimum qualifications of the Fiscal Agent and provides for notice and procedures in the event a successor Fiscal Agent is required or appointed.

The duties of the Fiscal Agent are specified within the Fiscal Agent Agreement and include mailing interest payments to the Owners, selecting Series 2019 Special Tax Bonds for redemption pursuant to the terms of the Fiscal Agent Agreement, giving notice of redemption and meetings of the Owners, maintaining the Bond Register and maintaining and administering the funds and accounts established pursuant to the Fiscal Agent Agreement. The Fiscal Agent also performs all other acts authorized or directed of the Fiscal Agent pursuant to the terms of the Fiscal Agent Agreement.

The Fiscal Agent Agreement provides that the recitals of fact and all promises, covenants and agreements contained therein and in the Series 2019 Special Tax Bonds are to be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Fiscal Agent Agreement or the Series 2019 Special Tax Bonds. The Fiscal Agent Agreement provides for certain protections from liability of the Fiscal Agent except for its own negligence or willful misconduct, as further specified in the Fiscal Agent Agreement. Included as part of such protections, the Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent security or indemnity acceptable to the Fiscal Agent against the costs, expenses, and liabilities which may be incurred therein or thereby.

Events of Default; Remedies; Limitations

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

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Series 2019 Special Tax Bond when and as the same shall become due and payable, whether at maturity as therein expressed or from mandatory redemption;

(b) Default in the due and punctual payment of the interest on any Series 2019 Special Tax Bond when and as the same shall become due and payable; or

(c) Default by the District in the observance of any of the other agreements, conditions or covenants on its part contained in the Fiscal Agent Agreement or in the Series 2019 Special Tax Bonds, and the continuation of such default for a period of 30 days after the District shall have been given notice in writing of such default by the Fiscal Agent, provided that if within 30 days the District has commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit

such default to be eliminated; and provided further, that any noncompliance with the terms of the Continuing Disclosure Covenant, identified in the Fiscal Agent Agreement, shall not be an event of default under the terms of the Fiscal Agent Agreement and is limited to the remedies specifically identified therein (see “CONTINUING DISCLOSURE” in the Official Statement for further information).

Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

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

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

(c) Upon the happening of an event of default (as defined in the Fiscal Agent Agreement), by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in the Fiscal Agent Agreement, or in the Series 2019 Special Tax Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Series 2019 Special Tax Bonds to the respective Owners of the Series 2019 Special Tax Bonds at the respective dates of maturity, as provided in the Fiscal Agent Agreement, out of the Net Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Series 2019 Special Tax Bonds and in the Fiscal Agent Agreement.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by the Fiscal Agent Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy conferred through the Fiscal Agent Agreement upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Fiscal Agent Agreement or now or thereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Application of Net Special Tax Revenues After Default. If an Event of Default shall occur and be continuing, all Net Taxes and any other funds thereafter received by the Fiscal Agent under any of the provisions of the Fiscal Agent Agreement shall be applied by the Fiscal Agent as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Series 2019 Special Tax Bonds and payment of reasonable fees, charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Fiscal Agent Agreement;

(b) To the payment of the principal of and interest then due with respect to the Series 2019 Special Tax Bonds (upon presentation of the Series 2019 Special Tax Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Fiscal Agent Agreement, as follows:

First: To the payment to the Owners entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Owners entitled thereto, without any discrimination or preference; and

Second: To the payment to the Owners entitled thereto of the unpaid principal of any Series 2019 Special Tax Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Series 2019 Special Tax Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Series 2019 Special Tax Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Owners entitled thereto, without any discrimination or preference.

Any remaining funds shall be transferred by the Fiscal Agent to the Special Tax Fund.

Limitation on Bondowners' Right to Sue. No Owner shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Fiscal Agent Agreement, the Act or any other applicable law with respect to such Series 2019 Special Tax Bonds, unless (a) such Owner shall have given to the Fiscal Agent written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Series 2019 Special Tax Bonds then Outstanding shall have made written request upon the Fiscal Agent to exercise the powers thereinbefore granted or to institute such suit, action or proceeding in its own name, (c) such Owner, or Owners, shall have tendered to the Fiscal Agent security or indemnity acceptable to the Fiscal Agent against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Fiscal Agent shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and such tender of indemnity shall have been made to, the Fiscal Agent.

Such notification, request, tender of indemnity and refusal or omission are declared within the Fiscal Agent Agreement, in every case, to be conditions precedent to the exercise by any Owner of any remedy thereunder or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Fiscal Agent Agreement or the rights of any other Owners, or to enforce any right under the Series 2019 Special Tax Bonds, the Fiscal Agent Agreement, the Act or other applicable law with respect to the Series 2019 Special Tax Bonds, except in the manner therein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners, subject to the provisions of the Fiscal Agent Agreement (see "BONDOWNERS' RISKS – Limitations on Remedies" in the Official Statement for further information).

No Acceleration. The Series 2019 Special Tax Bonds are not subject to acceleration in payment of interest or principal prior to maturity (see “BONDOWNERS’ RISKS – No Acceleration Provisions” in the Official Statement for further information).

Defeasance

If all or a specified portion of the Series 2019 Special Tax Bonds shall be paid and discharged under the terms of the Fiscal Agent Agreement in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest due on such Series 2019 Special Tax Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in an irrevocable escrow, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund and available for such purpose, is fully sufficient to pay the principal of and interest on such Series 2019 Special Tax Bond as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in an irrevocable escrow, Federal Securities, in which the District may lawfully invest its money, in such amount as certified by a nationally recognized certified public accountant which will, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund available for such purpose, together with the interest to accrue thereon, be fully sufficient to pay and discharge the principal of and interest and any premium on such Series 2019 Special Tax Bond as and when the same shall become due and payable;

then, notwithstanding that any such Series 2019 Special Tax Bond shall not have been surrendered for payment, all obligations of the District under the Fiscal Agent Agreement, and any Supplement, with respect to such Series 2019 Special Tax Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Series 2019 Special Tax Bonds not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in the Fiscal Agent Agreement.

In connection with a defeasance under (b) or (c) above, there shall be provided to the District and the Fiscal Agent a certificate of a certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent, or the designated escrow holder, to pay and discharge the principal of, premium, if any, and interest on the Outstanding Bonds to be defeased in accordance with the Fiscal Agent Agreement, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Series 2019 Special Tax Bonds being defeased have been legally defeased in accordance with the Fiscal Agent Agreement. Upon such a defeasance, the Fiscal Agent shall release the rights of the Owners of such Series 2019 Special Tax Bonds which have been defeased under the Fiscal Agent Agreement and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Fiscal Agent Agreement of all Outstanding Bonds, the Fiscal Agent shall pay over or deliver to the District any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Series 2019 Special Tax Bonds when due. The Fiscal Agent shall, at the written direction and expense of the District, mail, first-class, postage prepaid, a notice to the Owners whose Series 2019 Special Tax Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Miscellaneous

Execution of Documents and Proof of Ownership. (a) Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Fiscal Agent Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by any commercial bank, trust company or other depository for such Series 2019 Special Tax Bond. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of such Bond shall be sufficient for the purposes of the Fiscal Agent Agreement (except as otherwise provided therein), if made in the following manner:

(b) The fact and date of the execution by any Owner or their attorney of any such instrument and of any instrument appointing any such attorney may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of this authority; provided, however, that nothing contained in the Fiscal Agent Agreement shall be construed as limiting the Fiscal Agent to such proof, it being intended that the Fiscal Agent may accept any other evidence of the matters stated in the Fiscal Agent Agreement which the Fiscal Agent may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Series 2019 Special Tax Bond in respect to anything done or suffered to be done by the Fiscal Agent in pursuance of such request or consent; and

(c) As to any Series 2019 Special Tax Bond, the Person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Series 2019 Special Tax Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2019 Special Tax Bond and the interest thereon to the extent of the sum or sums so paid. The Fiscal Agent shall not be affected by any notice to the contrary.

Provisions Constitute Contract. The provisions of the Fiscal Agent Agreement, including any Supplements thereto, and the Series 2019 Special Tax Bonds shall constitute a contract between the District and the Owners (“Contract”) and the provisions of the Fiscal Agent Agreement and the Series 2019 Special Tax Bonds shall be enforceable by any Owner for the equal benefit and protection of all Owners similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may later be authorized under the laws of the State in any court of competent jurisdiction. The Contract is made under and is to be construed in accordance with the laws of the State.

No remedy conferred by the Fiscal Agent Agreement upon any Owner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law of the State. No waiver of any default or breach of duty or contract by any Owner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Owners may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Owner shall prevail, said Owner shall be entitled to receive from the Net Taxes reimbursement for reasonable costs, expenses, outlays and attorneys’ fees and should said suit, action or proceeding be abandoned, or be determined

adversely to the Owners then, and in every such case, the District's positions, rights and remedies shall be construed in a manner as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds, the Fiscal Agent Agreement shall not be subject to repeal, but shall be subject to modification to the extent and in the manner provided in the Fiscal Agent Agreement, but to no greater extent and in no other manner.

Limitation of Rights. Nothing in the Fiscal Agent Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Fiscal Agent, the District and the Bondowners any legal or equitable right, remedy or claim under or in respect to the Fiscal Agent Agreement or any covenant, condition or provision therein or contained in the Fiscal Agent Agreement, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Fiscal Agent, the District and the Bondowners.

Payment on Non-Business Days. In the event any payment is required to be made under the Fiscal Agent Agreement on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by Community Facilities District No. 2013-1 of the Temecula Valley Unified School District (the “Community Facilities District” and the “School District,” respectively) and acknowledged by Special District Financing & Administration, LLC, in its capacity as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$7,155,000 Community Facilities District No. 2013-1 of the Temecula Valley Unified School District Series 2019 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a Resolution Authorizing Issuance of Bonds, adopted by the Board of Education of the School District, as the Legislative Body of the Community Facilities District, on March 19, 2019, and a Fiscal Agent Agreement (the “Fiscal Agent Agreement”), dated as of April 1, 2019, by and between the Community Facilities District and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”). The Community Facilities District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Community Facilities District for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

Section 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement which apply to any capitalized term used in this Disclosure 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 Community Facilities District pursuant to, and described in, Sections 3 and 4 of this Disclosure Certificate.

“Disclosure Representative” shall mean the Assistant Superintendent of Business Support Services of the Community Facilities District, or his or her designee(s), or such other officer(s) or employee(s) as the Community Facilities District shall designate in writing to the Fiscal Agent from time to time.

“Dissemination Agent” shall mean Special District Financing & Administration, LLC, or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Community Facilities District and the Fiscal Agent a written acceptance of such designation.

“EMMA System” shall mean the Electronic Municipal Market Access system of the MSRB (as defined below) or such other electronic system designated by the MSRB or the Securities and Exchange Commission (the “S.E.C.”) for compliance with S.E.C. Rule 15c2-12(b).

“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 paragraph (i) a debt obligation or (ii) a derivative instrument described in clause (ii) above; provided, however, that the term “Financial Obligation” shall not include “municipal securities” (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a “final official statement” (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

“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 the Official Statement, dated March 28, 2019, prepared and distributed in connection with the initial sale of the Bonds.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Community Facilities District shall provide, or shall cause the Dissemination Agent to provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate not later than seven and one half months after the June 30 end of the Community Facilities District’s fiscal year (which currently would be February 15) commencing with the report for the 2018-19 Fiscal Year.

(b) Not later than five days prior to said date, the Community Facilities District shall provide the Annual Report to the Dissemination Agent (if other than the Community Facilities District). 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, which may consist of the audited financial statements of the School District (hereinafter the “Audited Financial Statements”) 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 not available by that date. If the Community Facilities District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). If the Dissemination Agent has not received a copy of the Annual Report on or before five days prior to February 15 in any year, the Dissemination Agent shall notify the Community Facilities District of such failure to receive the Annual Report. The Community Facilities District shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Fiscal Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Community Facilities District and shall have no duty or obligation to review such Annual Report.

(c) If the Community Facilities District is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in subsection (a), the Community Facilities District, in a timely manner, shall send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) Determine each year prior to the date for providing the Annual Report the electronic filing requirements of the MSRB for the Annual Report; and

- (ii) If the Dissemination Agent is other than the Community Facilities District, to the extent it can confirm the same, file a report with the Community Facilities District and the Fiscal Agent certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Certificate.

Section 4. Content of Annual Reports. The Community Facilities District's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If the 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 in a format similar to the financial statements contained in the final Official Statement, and the Audited Financial Statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information regarding the Bonds:

- (i) Principal amount of the Bonds and any parity bonds and/or refunding bonds outstanding as of a date within 90 days of the date of the Annual Report;
- (ii) Balance in Prepayment Account of Special Tax Fund as of a date within 90 days of the date of the Annual Report;
- (iii) Balance in Bond Fund as of a date within 90 days of the date of the Annual Report;
- (iv) Balance in Reserve Fund and statement of Reserve Requirement as of a date within 90 days of the date of the Annual Report;
- (v) Balance in any other Fund or Account relating to the Bonds not referenced in clauses (ii) through (iv) above as of a date within 90 days of the date of the Annual Report;
- (vi) Information regarding the annual Special Taxes levied in the Community Facilities District, amount collected, delinquent amounts and percent delinquent for the most recently completed Fiscal Year;
- (vii) Status of foreclosure proceedings of parcels, if any, within the Community Facilities District and summary of results of foreclosure sales, if available;
- (viii) Total assessed value (per the Riverside County Assessor's records) of all parcels currently subject to the Special Tax within the Community Facilities District, showing the total assessed valuation for all land and the total assessed valuation for all improvements within the Community Facilities District and distinguishing between the assessed value of improved and unimproved parcels. Parcels are considered improved if

there is an assessed value for the improvements in the Assessor's records;

- (ix) The total dollar amount of delinquencies in the Community Facilities District as of the August 1 preceding the date of the Annual Report and, in the event that the total delinquencies within the Community Facilities District as of such August 1 or such more recent date as determined by the Community Facilities District exceed 5% of the Special Tax for the previous year, delinquency information for each parcel, including the amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel;
- (x) The number of parcels which prepaid, the aggregate amount of prepayments of the Special Tax with respect to the Community Facilities District for the prior Fiscal Year and the amount of Bonds prepaid;
- (xi) Any changes to the Rate and Method of Apportionment for the Community Facilities District set forth in Appendix C to the Official Statement; and
- (xii) A copy of the annual information required to be filed by the Community Facilities District with the California Debt and Investment Advisory Commission under the Act and relating generally to outstanding Community Facilities District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Community Facilities District shall provide such further information, if any, as may be necessary to make the specifically required statements set forth in clauses (i) to (xii), in the light of the circumstances under which they were made, not misleading for purposes of applicable federal securities laws.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Community Facilities District or related public entities, which have been submitted to the MSRB through the EMMA System or the S.E.C. If the document included by reference is a final official statement, it must be available from the MSRB. The Community Facilities District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Community Facilities District shall give, or cause to be given, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds, as applicable:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;

- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;⁽¹⁾
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of the Community Facilities District or an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial

⁽¹⁾ For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Community Facilities District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Community Facilities District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Community Facilities District.

Obligation of the Community Facilities District or an Obligated Person, any of which affect security holders, if material; and

- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Community Facilities District or an Obligated Person, any of which reflect financial difficulties.

(b) The Community Facilities District intends that the words used in Section 5(a)(xv) and 5(a)(xvi), and the definition of Financial Obligation in Section 2, have the same meanings as when they are used in the Rule, as evidenced by S.E.C. Release No. 34-83885, dated August 20, 2018.

(c) The Dissemination Agent shall, within three business days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Community Facilities District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Certificate, “actual knowledge” of the occurrence of the Listed Events described under clauses (ii), (iii), (vi), (x), (xi), (xii), (xiii) and (xiv) above shall mean actual knowledge by an officer at the principal office of the Dissemination Agent. The Dissemination Agent shall have no responsibility for determining the materiality of any of the Listed Events.

(d) As soon as practicable so as to provide notice not in excess of ten business days after the occurrence of the Listed Event, the Community Facilities District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f). The Community Facilities District shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the MSRB through the EMMA System.

(e) If the Community Facilities District determines that a Listed Event subject to a materiality requirement referenced in clauses (a) (ii), (vii), (viii), (x), (xiii), (xiv) or (xv) would not be material under applicable federal securities law, the Community Facilities District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Community Facilities District to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System and shall provide a copy of such notice to the Participating Underwriter.

Section 6. Termination of Reporting Obligation. All of the Community Facilities District’s obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the Bonds, (ii) prior redemption of the Bonds, (iii) payment in full of all the Bonds or (iv) upon the delivery to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such determination occurs prior to the final maturity of the Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

Section 7. Dissemination Agent. The Community Facilities District may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure

Certificate and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing at least thirty days' prior written notice to the Community Facilities District. The initial Dissemination Agent shall be Special District Financing & Administration, LLC. If at any time there is no designated Dissemination Agent appointed by the Community Facilities District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the Community Facilities District shall be the Dissemination Agent and undertake or assume its obligations hereunder.

The Dissemination Agent shall be paid compensation by the Community Facilities District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Community Facilities District from time to time and for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Community Facilities District hereunder and shall not be deemed to be acting in any fiduciary capacity for the Community Facilities District, Owners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Community Facilities District or an opinion of nationally recognized bond counsel.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Community Facilities District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by owners of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Owners, or (ii) does not, in the opinion of Bond Counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial statements or information in order to provide information to investors to enable them to evaluate the ability of the Community Facilities

District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(d).

The Community Facilities District shall not amend this Disclosure Certificate in a manner which affects the rights and obligations of the Dissemination Agent without receiving the written approval of the then acting Dissemination Agent.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Community Facilities 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 Community Facilities District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Community Facilities District shall have no obligation under this Disclosure Certificate to update such information or include such in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Community Facilities District to comply with any provision of this Disclosure Certificate any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Community Facilities District to comply with this Disclosure Certificate shall be an action to compel performance. Neither the Fiscal Agent nor the Dissemination Agent shall have any liability to the Owners of the Bonds or any other party for monetary damages or financial liability of any kind whatsoever relating to or arising from this Disclosure Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VII of the Fiscal Agent Agreement is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Fiscal Agent Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Fiscal Agent thereunder. The Dissemination Agent shall have only duties as are specifically set forth in this Disclosure Certificate, and the Community Facilities District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act, but should notify the Community Facilities District, in writing, of such occurrence. The obligations of the Community Facilities District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Fiscal Agent or Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Community Facilities District, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 13. Notices. Any notice or communications to or among any of the parties to this Disclosure Certificate shall be given to all of the following and may be given as follows:

If to the Community Facilities District:	Community Facilities District No. 2013-1 of the Temecula Valley Unified School District 31350 Rancho Vista Road Temecula, California 92592 Telephone: (951) 676-2661 Telecopier: (951) 695-7121 Attention: Lori Ordway-Peck lordway-peck@tvusd.k12.ca.us
If to the Dissemination Agent:	Special District Financing & Administration, LLC 437 West Grand Avenue Escondido, California 92025 Telephone: (760) 233-2633 Telecopier: (760) 233-2631 Attention: Ms. Hale-Carter
If to the Fiscal Agent:	U.S. Bank National Association 633 West Fifth Street, 24 th Floor LM-CA-T24T Los Angeles, California 90071 Telephone: (213) 615-6005 Telecopier: (213) 615-6199 Attention: Temecula Valley USD CFD No. 2013-1
If to the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35 th Floor San Francisco, California 94104 Telecopier: (415) 364-6800 Attention: Public Finance Department

The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

Section 14. Future Determination of Obligated Persons. In the event the S.E.C. amends, clarifies or supplements the Rule in such a manner that requires any property owner within the Community Facilities District to be an “obligated person” as defined in the Rule, nothing contained herein shall be construed to require the Community Facilities District to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate shall be deemed to obligate the Community Facilities District to disclose information concerning any property owner within the Community Facilities District except as required as part of the information required to be disclosed by the Community Facilities District pursuant to Section 4 and Section 5 hereof.

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Dated: April 1, 2019

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT,
on behalf of Community Facilities District No. 2013-1
of the Temecula Valley Unified School District

By: _____
Name:
Title:

ACCEPTANCE OF DISSEMINATION
AGENT:
The undersigned hereby accepts the designation
of Dissemination Agent and agrees to comply
with the duties set forth in the foregoing
Continuing Disclosure Certificate as
Dissemination Agent

SPECIAL DISTRICT FINANCING &
ADMINISTRATION, LLC,
as Dissemination Agent

By: _____
Authorized Signatory

[EXECUTION PAGE OF CONTINUING DISCLOSURE CERTIFICATE]

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Community Facilities District No. 2013-1 of the
Temecula Valley Unified School District

Name of Bond Issue: Community Facilities District No. 2013-1 of the
Temecula Valley Unified School District
Series 2019 Special Tax Bonds

Date of Issuance: April 17, 2019

NOTICE IS HEREBY GIVEN that Community Facilities District No. 2013-1 of the Temecula Valley Unified School District (the "Community Facilities District") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of April 1, 2019, by the Community Facilities District. [The Community Facilities District anticipates that the Annual Report will be filed by _____.]

Dated: _____, 20__

Community Facilities District No. 2013-1 of the
Temecula Valley Unified School District

cc: Special District Financing & Administration, LLC
U.S. Bank National Association, as Fiscal Agent

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

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

April 17, 2019

Board of Education
Temecula Valley Unified School District
31550 Rancho Vista Road
Temecula, CA 92592

Re: \$7,155,000 Community Facilities District No. 2013-1 of the Temecula Valley Unified School District Series 2019 Special Tax Bonds
Final Opinion of Bond Counsel

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Community Facilities District No. 2013-1 of the Temecula Valley Unified School District (“District”) of \$7,155,000 aggregate principal amount of bonds designated “Community Facilities District No. 2013-1 of the Temecula Valley Unified School District Series 2019 Special Tax Bonds” (“Bonds”). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution No. 2018-19/21, adopted by the Board of Education of the Temecula Valley Unified School District (“Board” and “School District,” respectively), acting in its capacity as the Legislative Body of the District on March 19, 2019, and the Fiscal Agent Agreement executed in connection therewith dated as of April 1, 2019, by and between the District and U.S. Bank National Association (“Fiscal Agent Agreement”). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Fiscal Agent Agreement.

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

Attention is called to the fact that we have not been requested to examine, and have not examined, any documents or information relating to the District or the School District other than the record of the District Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to any purchaser of the Bonds. In rendering the opinions set forth herein, we have relied upon the representations of fact and certifications referred to herein, and we have not undertaken by independent investigation to verify the authenticity of

signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Fiscal Agent Agreement, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

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

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

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

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

1. The District has, and the District Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of the District, payable in accordance with their terms. The Bonds are limited obligations of the District payable solely from and secured by a pledge of the Net Taxes, and from other funds and accounts pursuant to the Fiscal Agent Agreement, and are not obligations of the School District, the State or any public agency thereof (other than the District). The District has the full right, power and authority to levy and pledge the Net Taxes to the Owners of the Bonds.
2. The Fiscal Agent Agreement has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the District.

3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

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

Very truly yours,

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APPENDIX G

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the Community Facilities District which the Community Facilities District believes to be reliable, but the Community Facilities District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

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 certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 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 or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmissions to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the 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 Fiscal Agent and request that copies of notices be provided directly to them.

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

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

Principal, redemption price and interest 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 Community Facilities District or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the Community Facilities District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Community Facilities District, the School District or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuance of DTC Services

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Community Facilities District determines that DTC shall no longer act and delivers a written certificate to the Fiscal Agent to that effect, then the Community Facilities District will discontinue the Book-Entry System with DTC for the Bonds. If the Community Facilities District determines to replace DTC with another qualified securities depository, the Community Facilities District will prepare or direct the preparation of a new single separate, fully-registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Fiscal Agent Agreement. If the Community Facilities District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Fiscal Agent Agreement, and (iii) the Bonds will be transferable and exchangeable as provided in the Fiscal Agent Agreement.

The Community Facilities District and the Fiscal Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an Owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, redemption price of or interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered Owners under the Fiscal Agent Agreement; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered Owner; or (vi) any other matter arising with respect to the Bonds or the Fiscal Agent Agreement. The Community Facilities District and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The Community Facilities District and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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APPENDIX H

BOUNDARY MAP OF THE COMMUNITY FACILITIES DISTRICT

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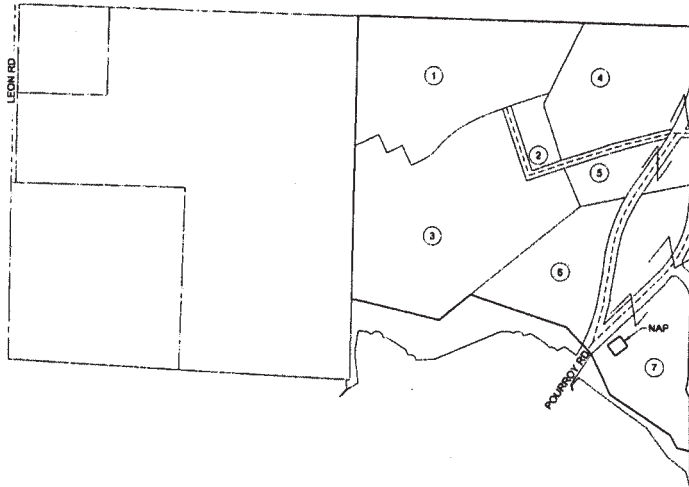
COPY

76/17

PROPOSED BOUNDARY MAP OF
 TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
 COMMUNITY FACILITIES DISTRICT NO. 2013-1
 COUNTY OF RIVERSIDE
 STATE OF CALIFORNIA

LOT DESIGNATION	
LOT NO.	ASSESSOR'S PARCEL NO. *
1	904-080-004
2	904-080-005
3	904-080-008
4	904-080-008
5	904-080-010
6	904-080-012
7	904-080-013
NAP	904-080-014

* THE BOUNDARY OF THE ASSESSOR PARCEL IS TO THE CENTER OF THE DEPICTED ROAD, WHERE APPLICABLE.



FILED IN THE OFFICE OF THE CLERK OF THE BOARD OF EDUCATION OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT THIS 29th DAY OF April, 2013.

[Signature]
 CLERK OF THE BOARD OF EDUCATION,
 TEMECULA VALLEY UNIFIED SCHOOL DISTRICT,
 STATE OF CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2013-1, RIVERSIDE COUNTY, STATE OF CALIFORNIA, WAS APPROVED BY THE BOARD OF EDUCATION OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT AT A REGULAR MEETING THEREOF, HELD ON THE 12th DAY OF May, 2013, BY ITS RESOLUTION NO. 2013-5/20

[Signature]
 CLERK OF THE BOARD OF EDUCATION,
 TEMECULA VALLEY UNIFIED SCHOOL DISTRICT,
 STATE OF CALIFORNIA

FILED THIS 9th DAY OF May, 2013, AT THE HOUR OF 1:44 O'CLOCK P.M. IN BOOK 39 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGES 17 AND AS INSTRUMENT NO. 233699, IN THE OFFICES OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, STATE OF CALIFORNIA. FEE: \$ 10.19

[Signature]
 COUNTY RECORDER OF THE COUNTY OF RIVERSIDE

NOTE: FOR PARTICULARS OF LINES AND DIMENSIONS OF THE ASSESSOR'S PARCELS, REFERENCE IS MADE TO THE COUNTY OF RIVERSIDE ASSESSOR'S PARCEL MAPS.

SDFA

SPECIAL DISTRICT FINANCING
 & ADMINISTRATION

437 WEST GRAND AVENUE
 ESCONCIDO, CALIFORNIA 92025
 TELEPHONE: (760)233-2630
 FAX: (760)233-2631



LEGEND:

①

LOT NUMBER

— COMMUNITY FACILITIES DISTRICT BOUNDARY

SHEET	1 OF 1
DATE	MAY 2013
JOB NO.	CFD20131-0413