

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 2019 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 2019 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 2019 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 2019 Bonds. See "LEGAL MATTERS – Tax Exemption" herein.

\$2,195,000

**COMMUNITY FACILITIES DISTRICT NO. 2018-1
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 "**2019 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 June 1, 2019 (the "**Fiscal Agent Agreement**"), by and between Community Facilities District No. 2018-1 of the Temecula Valley Unified School District (the "**Community Facilities District**") and U.S. Bank National Association, as fiscal agent (the "**Fiscal Agent**"). The 2019 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. 2018-1, 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 2019 Bonds are being issued (i) to finance, either directly or indirectly, the acquisition and construction of certain public school facilities (the "**Facilities**"), (ii) to fund a Reserve Fund for the 2019 Bonds in an amount equal to the Reserve Requirement, (iii) to fund capitalized interest for a period of time, and (iv) to pay certain costs of issuing the 2019 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2019 BONDS" herein.

The Community Facilities District is authorized to issue up to \$200,000,000 of bonds and the 2019 Bonds are the first issuance under the authorization. After issuance of the 2019 Bonds, the Community Facilities District will have \$197,805,000 of bond authorization remaining. The Community Facilities District has covenanted in the Fiscal Agent Agreement that it may issue additional bonds ("**Additional Bonds**," and collectively with the 2019 Bonds, the "**Bonds**") to finance facilities and for refunding purposes and such Additional Bonds are payable on a parity with the 2019 Bonds upon compliance with the terms of the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – Additional Bonds; Future Annexations" herein.

Interest on the 2019 Bonds is payable on each March 1 and September 1, commencing September 1, 2019. The 2019 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The 2019 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 2019 Bonds as described herein under "THE 2019 BONDS – Book-Entry and DTC."

The 2019 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 2019 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 2019 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 2019 Bonds.

The 2019 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 2019 Bonds, in book-entry form, will be available through the services of DTC on or about June 13, 2019.

STIFEL

MATURITY SCHEDULE
\$2,195,000
COMMUNITY FACILITIES DISTRICT NO. 2018-1
OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
SERIES 2019 SPECIAL TAX BONDS

\$1,135,000 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	\$40,000	3.000%	1.52%	101.776	PL3	2030	\$60,000	5.000%	2.58%	118.331 ^C	PW9
2021	45,000	4.000	1.74	104.891	PM1	2031	65,000	5.000	2.64	117.893 ^C	PX7
2022	45,000	4.000	1.85	106.681	PN9	2032	65,000	5.000	2.71	117.385 ^C	PY5
2023	50,000	4.000	1.96	108.215	PP4	2033	70,000	5.000	2.77	116.951 ^C	PZ2
2024	50,000	4.000	2.07	109.494	PQ2	2034	70,000	3.000	3.22	97.366	QA6
2025	50,000	5.000	2.19	116.245	PR0	2035	75,000	3.000	3.26	96.742	QB4
2026	55,000	5.000	2.28	118.001	PS8	2036	75,000	3.125	3.30	97.712	QC2
2027	55,000	5.000	2.38	119.445	PT6	2037	75,000	3.125	3.34	97.080	QD0
2028	55,000	5.000	2.44	119.360 ^C	PU3	2038	75,000	3.125	3.38	96.414	QE8
2029	60,000	5.000	2.51	118.844 ^C	PV1						

\$520,000 5.00% 2019 Term Bonds due September 1, 2044, Yield 3.15% Price 114.248%^C CUSIP® No. 87970H QF5†

\$540,000 5.00% 2019 Term Bonds due September 1, 2049, Yield 3.20% Price 113.898%^C CUSIP® No. 87970H QG3†

^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 CGS. CUSIP® numbers have been assigned by an independent company not affiliated with the Community Facilities District, the School District, or the Underwriter and are provided for convenience of reference only. The Community Facilities District, the School District and the Underwriter are not responsible for the selection, correctness or uses of the CUSIP® numbers; and 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 2019 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation
Irvine, California

DISCLOSURE COUNSEL

James F. Anderson Law Firm, A Professional Corporation
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

APPRAISER

Integra Realty Resources
San Francisco, 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 2019 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 2019 Bonds. All information for investors regarding the Community Facilities District and the 2019 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 2019 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 2019 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 2019 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 over allot or effect transactions which stabilize or maintain the market price of the 2019 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 2019 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 2019 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 2019 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TABLE OF CONTENTS

<p>INTRODUCTION..... 1</p> <p style="padding-left: 20px;">General 1</p> <p style="padding-left: 20px;">The School District..... 1</p> <p style="padding-left: 20px;">The Community Facilities District; Future Annexations..... 2</p> <p style="padding-left: 20px;">Purpose of the 2019 Bonds 3</p> <p style="padding-left: 20px;">Redemption of Bonds Before Maturity 3</p> <p style="padding-left: 20px;">Security and Sources of Payment for the Bonds..... 3</p> <p style="padding-left: 20px;">Appraisal Report..... 5</p> <p style="padding-left: 20px;">Tax Exemption 7</p> <p style="padding-left: 20px;">Risk Factors Associated with Purchasing the 2019 Bonds..... 7</p> <p style="padding-left: 20px;">Forward Looking Statements..... 7</p> <p style="padding-left: 20px;">Professionals Involved in the Offering 8</p> <p style="padding-left: 20px;">Other Information 8</p> <p>CONTINUING DISCLOSURE 9</p> <p>ESTIMATED SOURCES AND USES OF FUNDS 10</p> <p>FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2019 BONDS..... 11</p> <p>THE 2019 BONDS..... 12</p> <p style="padding-left: 20px;">Authority for Issuance 12</p> <p style="padding-left: 20px;">General Provisions..... 12</p> <p style="padding-left: 20px;">Debt Service Schedule..... 13</p> <p style="padding-left: 20px;">Redemption..... 14</p> <p style="padding-left: 20px;">Registration, Transfer and Exchange..... 17</p> <p style="padding-left: 20px;">Book-Entry and DTC..... 18</p> <p>SECURITY FOR THE BONDS 18</p> <p style="padding-left: 20px;">General 18</p> <p style="padding-left: 20px;">Special Taxes..... 19</p> <p style="padding-left: 20px;">Rate and Method..... 20</p> <p style="padding-left: 20px;">Proceeds of Foreclosure Sales 22</p> <p style="padding-left: 20px;">Special Tax Fund..... 25</p> <p style="padding-left: 20px;">Bond Fund 26</p> <p style="padding-left: 20px;">Reserve Fund 27</p> <p style="padding-left: 20px;">Administrative Expense Fund..... 28</p> <p style="padding-left: 20px;">Residual Fund..... 28</p> <p style="padding-left: 20px;">Investment of Moneys in Funds 28</p> <p style="padding-left: 20px;">Payment of Rebate Obligation..... 28</p> <p style="padding-left: 20px;">Additional Bonds; Future Annexations 29</p> <p style="padding-left: 20px;">Special Taxes Are Not Within Teeter Plan..... 30</p> <p style="padding-left: 20px;">Special Taxes and Projected Debt Service Coverage ... 30</p> <p>COMMUNITY FACILITIES DISTRICT NO. 2018-1 32</p> <p style="padding-left: 20px;">General Information 32</p> <p style="padding-left: 20px;">Authority for Issuance 32</p> <p style="padding-left: 20px;">Maximum and Actual Annual Special Taxes 34</p> <p style="padding-left: 20px;">Appraisal Report..... 36</p> <p style="padding-left: 20px;">Value-to-Debt Ratios 37</p> <p style="padding-left: 20px;">Direct and Overlapping Debt..... 41</p> <p style="padding-left: 20px;">Overlapping Assessment and Community Facilities Districts 45</p> <p style="padding-left: 20px;">Delinquency History..... 46</p> <p>PROPERTY OWNERSHIP AND DEVELOPMENT 47</p> <p style="padding-left: 20px;">DR Horton 47</p> <p style="padding-left: 20px;">KB Coastal..... 55</p>	<p>BONDOWNERS' RISKS 63</p> <p style="padding-left: 20px;">Risks of Real Estate Secured Investments Generally.... 63</p> <p style="padding-left: 20px;">Special Taxes Are Not Personal Obligations 63</p> <p style="padding-left: 20px;">Potential Early Redemption of Bonds from Prepayments..... 63</p> <p style="padding-left: 20px;">The Bonds Are Limited Obligations of the Community Facilities District..... 64</p> <p style="padding-left: 20px;">Concentration of Ownership 64</p> <p style="padding-left: 20px;">Appraised Values; Assessed Values 64</p> <p style="padding-left: 20px;">Value-to-Debt Ratios 65</p> <p style="padding-left: 20px;">Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property..... 65</p> <p style="padding-left: 20px;">Disclosure to Future Purchasers..... 66</p> <p style="padding-left: 20px;">Hazardous Substances..... 66</p> <p style="padding-left: 20px;">Insufficiency of the Special Tax 67</p> <p style="padding-left: 20px;">Exempt Properties..... 68</p> <p style="padding-left: 20px;">Depletion of Reserve Fund 69</p> <p style="padding-left: 20px;">Potential Delay and Limitations in Foreclosure Proceedings..... 69</p> <p style="padding-left: 20px;">Bankruptcy and Foreclosure Delay 70</p> <p style="padding-left: 20px;">Ownership or Mortgage Interests by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies 71</p> <p style="padding-left: 20px;">Factors Affecting Parcel Values and Aggregate Value..... 73</p> <p style="padding-left: 20px;">No Acceleration Provisions 74</p> <p style="padding-left: 20px;">Community Facilities District Formation 74</p> <p style="padding-left: 20px;">Billing of Special Taxes..... 75</p> <p style="padding-left: 20px;">Inability to Collect Special Taxes 75</p> <p style="padding-left: 20px;">Right to Vote on Taxes Act 75</p> <p style="padding-left: 20px;">Ballot Initiatives and Legislative Measures 77</p> <p style="padding-left: 20px;">Limited Secondary Market 78</p> <p style="padding-left: 20px;">Tax Cuts and Jobs Act of 2017 78</p> <p style="padding-left: 20px;">Loss of Tax Exemption 78</p> <p style="padding-left: 20px;">IRS Audit of Tax-Exempt Bond Issues..... 79</p> <p style="padding-left: 20px;">Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption..... 79</p> <p style="padding-left: 20px;">Backup Withholding..... 79</p> <p style="padding-left: 20px;">Limitations on Remedies 79</p> <p style="padding-left: 20px;">Cyber Security 80</p> <p>LEGAL MATTERS 80</p> <p style="padding-left: 20px;">Legal Opinion 80</p> <p style="padding-left: 20px;">Tax Exemption..... 80</p> <p style="padding-left: 20px;">Original Issue Discount; Premium Bonds..... 82</p> <p style="padding-left: 20px;">Absence of Litigation..... 82</p> <p style="padding-left: 20px;">No General Obligation of School District or Community Facilities District..... 83</p> <p>NO RATINGS 83</p> <p>UNDERWRITING 83</p> <p>FINANCIAL INTERESTS..... 83</p> <p>MISCELLANEOUS..... 84</p>
--	---

TABLE OF CONTENTS
(Continued)

APPENDIX A – General Information About the Temecula Valley Unified School DistrictA-1

APPENDIX B – Economic and Demographic Information for the Cities of Temecula and Murrieta
and Riverside CountyB-1

APPENDIX C – Rate and Method of Apportionment of the Special Tax
Temecula Valley Unified School District Community Facilities District No. 2018-1C-1

APPENDIX D – Appraisal ReportD-1

APPENDIX E – Summary of Certain Provisions of the Fiscal Agent AgreementE-1

APPENDIX F – Form of Continuing Disclosure CertificateF-1

APPENDIX G – Form of Opinion of Bond CounselG-1

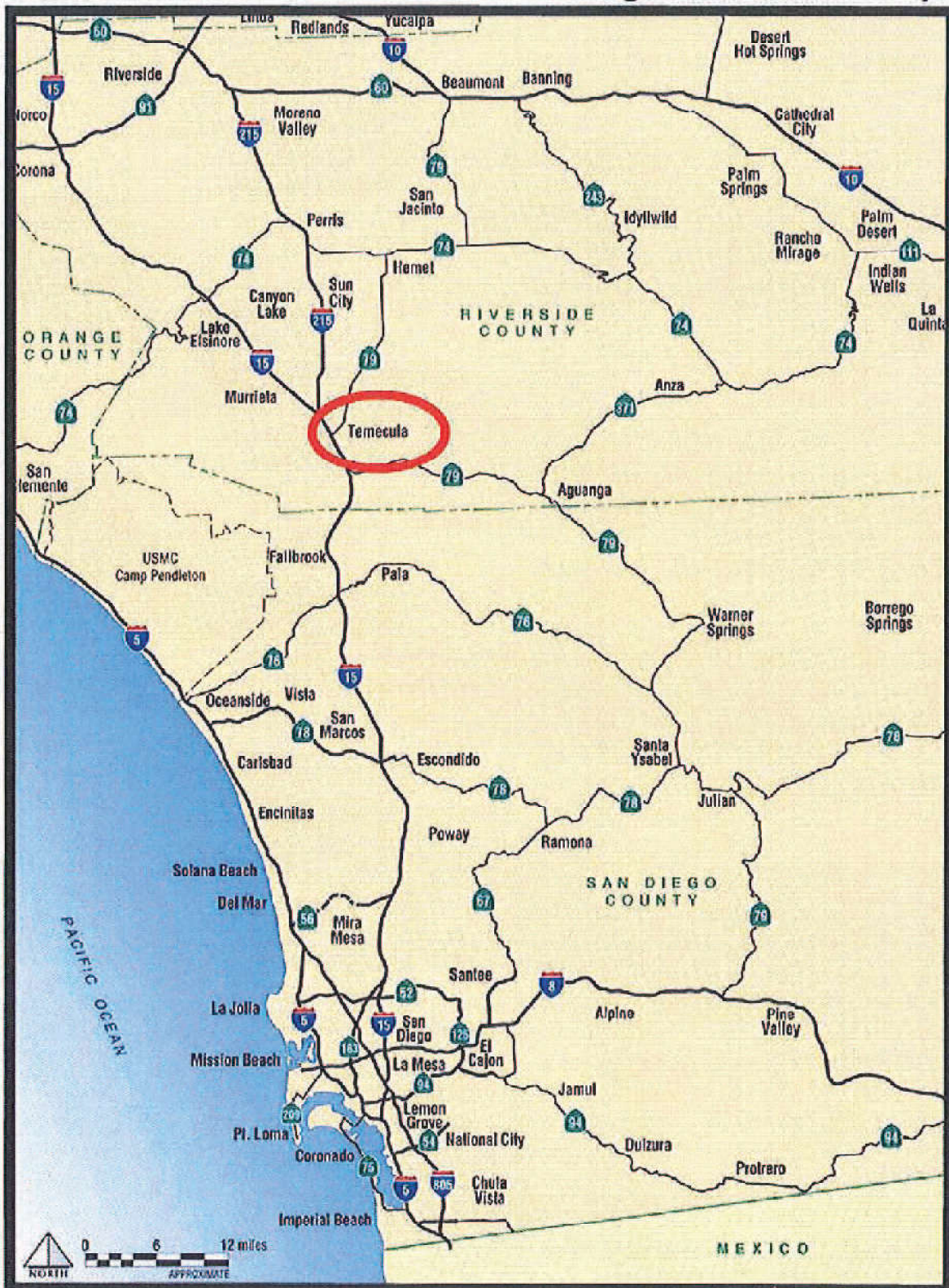
APPENDIX H – Book-Entry SystemH-1

APPENDIX I – Boundary Map of the Community Facilities DistrictI-1



TEMECULA VALLEY Unified School District

Regional Location Map



Temecula Valley Unified District
Community Facilities District No 2018-1
Indigo Place



Rancho California Rd

215 Freeway

Ynez Rd

Mira Loma Dr

Rancho Vista Rd

N →

Temecula Valley Unified District
Community Facilities District № 2018-1
Alure



Lake Skinner

Borel Rd

Benton Rd

© www.Airviews.com PRO

Thompson Rd

Porroy Rd

6953_03-04-2019

79

← N

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

\$2,195,000

COMMUNITY FACILITIES DISTRICT NO. 2018-1 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 2019 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. 2018-1 of the Temecula Valley Unified School District Series 2019 Special Tax Bonds (the “**2019 Bonds**”).

The 2019 Bonds are issued pursuant to the Act (as defined below), Resolution No. 2018-19/25 adopted on May 7, 2019 (the “**Resolution of Issuance**”), by the Legislative Body of Community Facilities District No. 2018-1 of the Temecula Valley Unified School District (the “**Community Facilities District**”) and a Fiscal Agent Agreement, dated as of June 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 2019 BONDS – Authority for Issuance” herein. The Community Facilities District may issue additional bonds payable on a parity with the 2019 Bonds. See “SECURITY FOR THE BONDS – Additional Bonds.” Capitalized terms used herein but not otherwise defined have the meanings given them in the Fiscal Agent Agreement.

After issuance of the 2019 Bonds, the Community Facilities District will have \$197,805,000 of bond authorization remaining. The Community Facilities District has covenanted in the Fiscal Agent Agreement that it may issue additional bonds (“**Additional Bonds**” or “**Parity Bonds**” and collectively with the 2019 Bonds, the “**Bonds**”) to finance facilities and/or for refunding purposes payable on a parity with the 2019 Bonds upon compliance with the terms of the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – Additional Bonds.”

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**”) for Fiscal Year 2018-19.

The Community Facilities District; Future Annexations

The Community Facilities District was formed and established by the School District on February 20, 2018, 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 February 20, 2018, 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 \$200,000,000 and approved the levy of Special Taxes (as defined herein).

The properties within the Community Facilities District are the initial properties to be included within the Community Facilities District and the boundaries of the Community Facilities District currently encompass only such properties. *It is anticipated that in the future additional properties will annex into the Community Facilities District and the boundaries will be expanded to encompass any properties which annex into the Community Facilities District.* Such annexed properties will be located within the boundaries of the School District, as the School District boundaries exist at the time of any such annexation. Should other properties annex into the Community Facilities District, the Community Facilities District anticipates that additional bonds will be issued based on the development within such annexed properties, and within the aggregate \$200,000,000 authorization. See “SECURITY FOR THE BONDS – Additional Bonds; Future Annexations” herein for a description of the conditions which must be satisfied prior to the issuance of Additional Bonds.

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 currently consists of two non-contiguous single-family residential subdivisions. One is a 51-lot single family detached residential subdivision known as Alure (“**Alure**”) by KB HOME Coastal Inc., a California corporation (“**KB Coastal**”) located in an unincorporated area of Riverside County known as French Valley. The second is a 54-lot single family detached residential subdivision known as Indigo Place (“**Indigo Place**”) by Western Pacific Housing, Inc. a Delaware corporation, doing business as “DR Horton, America’s Builder” (“**DR Horton**”) located in the City of Temecula. KB Coastal and DR Horton are each individually referred to in this Official Statement as a “**Developer**” and collectively referred to in this Official Statement as the “**Developers.**”

Of the 51 lots comprising Alure, 34 homes have been completed and sold (closed escrow) to individual homeowners, 4 homes (including 2 model homes) are complete and either sold (in escrow) or available for sale, 12 lots for which building permits have been issued (6 of which have homes under construction) and 1 improved lot which is currently being utilized in connection with the sales office. Of the 54 lots comprising Indigo Place, 35 homes have been completed and sold (closed escrow) to individual homeowners, 17 homes (including 2 model homes) are complete and either sold (in escrow) or available for sale, with 2 remaining improved lots currently being utilized in connection with the sales office.

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. 2018-1” herein. See also Table 8 and the footnotes thereto under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT – DR Horton – *DR Horton Development Plan*” and Table 10 and the footnotes thereto

under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT – KB Coastal – *KB Coastal Development Plan.*”

Purpose of the 2019 Bonds

Proceeds of the 2019 Bonds will be used (i) to finance, either directly or indirectly, the acquisition and construction of certain public school facilities, (ii) to fund a Reserve Fund (as defined herein) for the 2019 Bonds in an amount equal to the Reserve Requirement (as defined herein), (iii) to fund capitalized interest for a period of time, and (iv) to pay certain costs of issuing the 2019 Bonds. See “FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2019 BONDS” and “COMMUNITY FACILITIES DISTRICT NO. 2018-1” herein.

Redemption of Bonds Before Maturity

The 2019 Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from prepaid Special Taxes. See “THE 2019 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 \$31,500 in Fiscal Year 2018-19 and escalating at 2% each Fiscal Year, after Fiscal Year 2018-19 (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. 2017-18-1, adopted by the Legislative Body of the Community Facilities District on March 6, 2018 (the “**Ordinance**”), providing for the levy of the Special Taxes, the voter approvals obtained at the February 20, 2018, 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, including statutory disclosure for the Community Facilities District’s continuing disclosure obligations and reporting requirements and for “**Administrative Expense**” as defined in the Rate and Method.

Pursuant to the Act, the Rate and Method, the Resolution of Formation (as defined herein), 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 for the 2019 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 Board of Education the School District (the “**Board**”), acting as the Legislative Body of the Community Facilities District, 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. Assessor’s Parcels (as defined in the Rate and Method), or portions thereof, developed as commercial or industrial property, Assessor’s Parcels, or portions thereof, developed as age-restricted dwelling units and Assessor’s Parcels for which the Annual Maximum Special Tax has been fully discharged, are exempt from the levy of Special Taxes. 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 and held in the Reserve Fund (the “**Reserve Fund**”) established pursuant to the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS.” The Reserve Fund will be established out of the proceeds of the sale of the 2019 Bonds, in an amount equal to the Reserve Requirement. “**Reserve Requirement**” with respect to the 2019 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). Upon the issuance of Additional Bonds, the Community Facilities District may establish separate accounts of the Reserve Fund applicable thereto as shall be set out in the corresponding supplement amending or supplementing the Fiscal Agent Agreement (the “**Supplement**”). 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 (as defined in the Fiscal Agent Agreement) 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 (as defined herein) 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.

Appraisal Report

An appraisal of the land and existing improvements for the development within the Community Facilities District, dated April 2, 2019 (the “**Appraisal Report**”), with an effective date of February 28, 2019, has been prepared by Integra Realty Resources, San Francisco, California (the “**Appraiser**”), in connection with issuance of the 2019 Bonds. The purpose of the Appraisal Report was to estimate the market value (fee simple estate), by ownership and Assessor’s parcel and cumulative, or aggregate value of the appraised properties comprising the Community Facilities District. The Appraisal Report reflects an aggregate of 102 residential dwelling units, 69 individually owned completed-sold homes (closed sale to homeowners), 24 completed-unsold homes (builder-owned, over 95% complete, including 4 model homes), 9 lots with homes under construction (i.e., building permits issued) and 3 improved lots ready for home construction. The Appraisal Report is based on certain assumptions and limiting conditions expressed therein. Subject to these assumptions and limiting conditions, the Appraiser estimated that the market value (fee simple estate) of the Taxable Property within such portion of the Community Facilities District (subject to the lien of the Special Taxes), as of February 28, 2019, was \$39,636,000. See Table 8 and the footnotes thereto under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT – DR Horton – *DR Horton Development Plan*” and Table 10 and the footnotes thereto under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT – KB Coastal – *KB Coastal Development Plan*.”

[Remainder of Page Intentionally Left Blank]

Table 1
Community Facilities District No. 2018-1
of the Temecula Valley Unified School District
Appraised Value

<u>Component</u>	<u>Value Premise</u>	<u>Value per Taxable Lot</u>	<u>No. of Taxable Lots</u>	<u>Aggregate Value</u>
Alure				
KB Coastal	Not Less Than Market Value per Completed Home	\$424,000	7	\$2,968,000
	Not Less Than Market Value per Improved Lot	160,000	10	1,600,000
Individual Homeowners	Not Less Than Market Value per Completed Home	424,000	<u>34</u>	<u>14,440,000</u>
			51	\$18,984,000
Indigo Place				
DR Horton	Not Less Than Market Value per Completed Home	\$391,000	17	\$6,647,000
	Not Less Than Market Value per Improved Lot	160,000	2	320,000
Individual Homeowners	Not Less Than Market Value per Completed Home	391,000	<u>35</u>	<u>13,685,000</u>
			<u>54</u>	<u>\$20,652,000</u>
Aggregate Value of Appraised Properties			105	\$39,636,000

Value-to-Debt Ratios. The market values reported in the Appraisal Report, result in an approximate value-to-debt ratio of 17.81:1, 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. 2018-1 – 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 “COMMUNITY FACILITIES DISTRICT NO. 2018-1 – Value-to-Debt Ratios.” See “COMMUNITY FACILITIES DISTRICT No. 2018-1 – Direct and Overlapping Debt.” See also “BONDOWNERS’ RISKS – Appraised Values; Assessed Values” and “– Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property” herein and APPENDIX D – “APPRAISAL REPORT” appended hereto for further information on the Appraisal Report and for limiting conditions relating to the Appraisal Report.

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 2019 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 2019 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 2019 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 2019 Bonds. See “LEGAL MATTERS – Tax Exemption” herein.

Set forth in APPENDIX G is the form of opinion Bond Counsel is expected to deliver in connection with the issuance of the 2019 Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the 2019 Bonds, including certain exceptions to the tax treatment of interest, see “LEGAL MATTERS – Tax Exemption.”

Risk Factors Associated with Purchasing the 2019 Bonds

Investment in the 2019 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 2019 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. 2018-1 – General Information” and “PROPERTY OWNERSHIP AND DEVELOPMENT” 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 2019 Bonds. Kutak Rock LLP, Irvine, California, is acting as Underwriter’s Counsel. Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as Municipal Advisor.

The appraisal work was done, and the Appraisal Report was provided by, Integra Realty Resources, San Francisco, California. Special District Financing & Administration, LLC, Escondido, California, is acting as Special Tax Consultant, administrator and initial Dissemination Agent (as defined herein) 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 2019 Bonds. Fees of the Appraiser are not contingent upon the sale and delivery of the Bonds but may be paid from proceeds of the 2019 Bonds. Fees of the Special Tax Consultant are not contingent upon the sale and delivery of the Bonds but may be paid from proceeds of the 2019 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 2019 Bonds, certain sections of the Fiscal Agent Agreement, security for the 2019 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 2019 Bonds, 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 2019 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 F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” (the “**Continuing Disclosure Certificate**”), for the benefit of Owners and beneficial owners of the 2019 Bonds, to provide annually certain financial information and operating data relating to the Community Facilities District and the 2019 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 2019 Bonds will be 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 2019 Bonds	\$2,195,000.00
<i>Plus:</i> Net Original Issue Premium	249,495.50
<i>Less:</i> Underwriter's Discount	<u>(42,802.50)</u>
<i>Total Sources</i>	\$2,401,693.00

Uses:

Deposit into the School Facilities Account of the Construction Fund ⁽¹⁾	\$2,004,909.97
Deposit into the Reserve Fund	145,131.26
Deposit into the Capitalized Interest Subaccount of the Interest Account of the Bond Fund	21,651.77
Deposit into the Costs of Issuance Account of the Construction Fund ⁽²⁾	<u>230,000.00</u>
<i>Total Uses</i>	\$2,401,693.00

⁽¹⁾ \$1,157,284.16 will be deposited into the KB Property Sub-Account and \$847,625.81 will be deposited into the WPH Property Sub-Account within the School Facilities Account of the Construction Fund.

⁽²⁾ 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, the cost of the Appraiser for the Appraisal Report, and the fees of the Special Tax Consultant and repayment of certain developer advances.

[Remainder of Page Intentionally Left Blank]

FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2019 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, expansion, modernization and rehabilitation, 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 costs also include the attributable costs of engineering, design, planning, materials testing, coordination, staking and construction, together with the expense related to issuance and sale of the 2019 Bonds. It is currently anticipated that net construction Bond proceeds will be used, together with other available funds, in connection with construction of a K-8 STEAM Academy and completion of the Vail Elementary School reconstruction project.

The School District and KB Coastal entered into a School Facilities Funding and Mitigation Agreement, dated as of January 16, 2018, by and between the School District and KB Coastal (the “**KB Coastal Mitigation Agreement**”), and the School District and DR Horton entered into a School Facilities Funding and Mitigation Agreement, dated as of January 16, 2018, by and between the School District and DR Horton (the “**DR Horton Mitigation Agreement**,” and together with the KB Coastal Mitigation Agreement, the “**Mitigation Agreements**”). Each Mitigation Agreement 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 and the payment of cash deposits prior to issuance of the Bonds, which cash deposits were refundable to the extent of available Bond proceeds in the manner and amounts as set forth in the Mitigation Agreements.

It is anticipated that in the future additional projects will annex into the Community Facilities District and enter into similar funding and mitigation agreements. The agreements establish an amount to be funded for the School District to mitigate the impacts within the School District including the development within the Community Facilities District and provides for additional funding by the Community Facilities District of the described school facilities. See “SECURITY FOR THE BONDS – Additional Bonds; Future Annexations” herein.

[Remainder of Page Intentionally Left Blank]

THE 2019 BONDS

Authority for Issuance

The 2019 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. 2018-1 – Authority for Issuance” herein.

General Provisions

The 2019 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 2019 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 2019 Bonds. Ownership interests in the 2019 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 2019 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2019 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2019 Bonds in accordance with the procedures adopted by DTC. See “THE 2019 BONDS – Book-Entry and DTC.”

The 2019 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 2019 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 2019 Bonds; *provided, however*, that if at the time of authentication of a 2019 Bond, interest is in default, interest on that 2019 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 2019 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 2019 Bonds shall be paid by check of the Fiscal Agent mailed to the registered Bondowner of the 2019 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 2019 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 2019 Bonds and any premium due upon redemption on the 2019 Bonds are payable by check in lawful money of the United States of America upon presentation of the 2019 Bonds at the Principal Corporate Trust Office of the Fiscal Agent (currently located in Los Angeles, California).

Debt Service Schedule

The following table presents the annual debt service on the 2019 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	\$ --	\$21,651.77	\$21,651.77
2020	40,000	99,931.26	139,931.26
2021	45,000	98,731.26	143,731.26
2022	45,000	96,931.26	141,931.26
2023	50,000	95,131.26	145,131.26
2024	50,000	93,131.26	143,131.26
2025	50,000	91,131.26	141,131.26
2026	55,000	88,631.26	143,631.26
2027	55,000	85,881.26	140,881.26
2028	55,000	83,131.26	138,131.26
2029	60,000	80,381.26	140,381.26
2030	60,000	77,381.26	137,381.26
2031	65,000	74,381.26	139,381.26
2032	65,000	71,131.26	136,131.26
2033	70,000	67,881.26	137,881.26
2034	70,000	64,381.26	134,381.26
2035	75,000	62,281.26	137,281.26
2036	75,000	60,031.26	135,031.26
2037	75,000	57,687.50	132,687.50
2038	75,000	55,343.76	130,343.76
2039	80,000	53,000.00	133,000.00
2040	80,000	49,000.00	129,000.00
2041	85,000	45,000.00	130,000.00
2042	90,000	40,750.00	130,750.00
2043	90,000	36,250.00	126,250.00
2044	95,000	31,750.00	126,750.00
2045	100,000	27,000.00	127,000.00
2046	105,000	22,000.00	127,000.00
2047	110,000	16,750.00	126,750.00
2048	110,000	11,250.00	121,250.00
2049	<u>115,000</u>	<u>5,750.00</u>	<u>120,750.00</u>
	\$2,195,000	\$1,863,664.45	\$4,058,664.45

Source: Stifel, Nicolaus & Company, Incorporated.

Redemption

Optional Redemption. The 2019 Bonds maturing on or before September 1, 2026, are not subject to optional redemption. The 2019 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 2019 Bonds called for redemption at the following redemption prices (expressed as a percentage of the principal amount of the 2019 Bonds to be redeemed), together with interest accrued thereon to the date fixed for redemption.

<u>Redemption Dates</u>	<u>Redemption Price</u>
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 2019 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.

<u>Redemption Dates</u>	<u>Redemption Price</u>
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

Prepayments of Special Taxes could be made by any of the owners of any of the property within the Community Facilities District, including the Developer or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of 2019 Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See “SPECIAL RISK FACTORS — Potential Early Redemption of Bonds from Prepayments.”

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 September 1, 2039, 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
2039	\$80,000
2040	80,000
2041	85,000
2042	90,000
2043	90,000
2044 (maturity)	95,000

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 September 1, 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	\$100,000
2046	105,000
2047	110,000
2048	110,000
2049 (maturity)	115,000

The amounts in the foregoing tables shall be reduced as a result of any prior partial redemption of the 2019 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 2019 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 2019 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 2019 Bonds, or when the Fiscal Agent is required to redeem 2019 Bonds, the Fiscal Agent shall give notice, in the name of the Community Facilities District of the redemption of such 2019 Bonds. Such notice of redemption shall: (i) specify the CUSIP® numbers and serial numbers of the 2019 Bonds selected for redemption, except that where all the 2019 Bonds or all 2019 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 2019 Bond selected for redemption; (iii) state the date fixed for redemption; (iv) state the redemption price; (v) state the place or places where the 2019 Bonds

are to be redeemed; and (vi) in the case of 2019 Bonds to be redeemed only in part, state the portion of such 2019 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 2019 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. The actual receipt by the Owner of any 2019 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 2019 Bond, or the cessation of interest on the redemption date.

Partial Redemption. Upon surrender of any 2019 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 2019 Bond or 2019 Bonds of the same Series of authorized denominations equal in aggregate principal amount and maturity to the unredeemed portion of the 2019 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 2019 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 2019 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 2019 Bond shall be redeemed at the said redemption price;

(c) From and after the redemption date, the 2019 Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such 2019 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 2019 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 2019 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 2019 Bonds, or any other party, as a result of the Community Facilities District's failure to redeem the 2019 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 2019 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 2019 Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the Community Facilities District may rescind any optional redemption of the 2019 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 2019 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 2019 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 2019 Bonds, or any other party, as a result of the Community Facilities District's decision to rescind redemption of any 2019 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 2019 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 2019 Bonds. The Community Facilities District and the Fiscal Agent may treat and consider the person in whose name each 2019 Bond is registered in the Bond Register as the holder and absolute Owner of such 2019 Bond for the purpose of payment of principal, interest and premium, if any, with respect to such 2019 Bond, for the purpose of giving notices of redemption, if applicable, and other matters with respect to such 2019 Bond, for the purpose of registering transfers with respect to such 2019 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 2019 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 2019 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. 2019 Bonds may be exchanged at the Principal Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount and maturity of 2019 Bonds of the same Series 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 2019 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 2019 Bond of the same Series, for like aggregate principal amount and maturity; *provided*, that the Fiscal Agent shall not be required to register transfers or make exchanges of (i) 2019 Bonds for a period of 15 days next preceding the date established by the Fiscal Agent for selection of the 2019 Bonds to be redeemed or (ii) any 2019 Bonds chosen for redemption.

Book-Entry and DTC

DTC will act as securities depository for the 2019 Bonds. The 2019 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 2019 Bond certificate will be issued for each maturity of the 2019 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX H – "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, 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 E – "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 calculated as set forth in the Rate and Method. The Annual Maximum Special Tax - Developed Property per square foot applicable to a Parcel is determined based on the first Fiscal Year in which the Annual Maximum Special Tax – Developed Property is levied on such Developed Property. The Annual Maximum Special Tax applicable to an Assessor’s Parcel of Developed Property in the Initial Fiscal Year, is increased each year by the greater of (i) the annual percentage change in the Index determined on January 1, 2018, for the prior 12-month period, and on each January 1st thereafter for the prior 12 month period or (ii) 2%.

The Annual Maximum Special Tax – Developed Property for a Developed Property or portion thereof, after the Initial Fiscal Year is fixed and is no longer subject to any increases. The Annual Maximum Special Tax – Developed Property for a parcel whose initial Fiscal Year is Fiscal Year 2018-19 is \$0.8134 per square foot and for a parcel whose initial Fiscal Year is Fiscal Year 2019-20 is \$0.8419.

Assessor’s Parcels which are classified as Undeveloped Property as of March 1 are not subject to the levy of Special Taxes in the following fiscal year.

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 2018-19 was the first fiscal 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 February 20, 2018, pursuant to the request of the landowners at such time and the provisions of the Act, the School District established Community Facilities District No. 2018-1. The qualified electors of the Community Facilities District approved the Rate and Method on February 20, 2018. 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. 2018-1.” 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 fund capitalized interest for a period of time 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 determined on a Dwelling Unit by Dwelling Unit basis and will 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’s Parcels for which a building permit for one or more Dwelling Units has been issued by the applicable agency on or before the March 1 prior to the Fiscal Year for which the Annual Maximum Special Tax – Developed Property is being levied on all or a portion thereof which are not Exempt Property and for which the Annual Maximum Special Tax – Developed Property obligation has not been fully prepaid and/or permanently satisfied. Assessor’s Parcels, or portions thereof, 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.

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

(iii) **“Taxable Property”** means all Assessor’s 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 5 and 6 of the Rate and Method or, be exempt from the Special Tax pursuant to law or Section 7 of the Rate and Method.

(iv) **“Exempt Property”** means all Assessor’s Parcels which are exempt from the Special Tax pursuant to law or Section 7 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 a Developed Property or portion thereof, after the Initial Fiscal Year is fixed and is no longer subject to any increases. The Annual Maximum Special Tax – Developed Property for a parcel whose initial Fiscal Year is Fiscal Year 2018-19 is \$0.8134 per square foot and for a parcel whose initial Fiscal Year is Fiscal Year 2019-20 is \$0.8419. See APPENDIX C – “RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2018-1 – 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-Developed Property as determined based on an Assessor's Parcel's Initial Fiscal Year in which it is levied as Developed Property. 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-Developed Property, 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 as 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. ***Assessor's Parcels which are classified as Undeveloped Property as of March 1 are not subject to the levy of Special Taxes in the following fiscal year.***

Method of Apportionment. The Community Facilities District shall levy the Annual Maximum Special Tax – Developed Property on each Assessor's Parcel, or portion thereof, which is classified as Developed Property.

Prepayment of Special Taxes in Part. A property owner may make a one-time election to prepay a portion of the Annual Maximum Special Tax – Developed Property for a Dwelling Unit for which a building permit is pending, by notifying the Community Facilities District in writing of such intention no less than ten business days prior to requesting a certificate of compliance for such Dwelling Unit. 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. 2018-1 – Section 5” hereto. As of May 1, 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 6 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 both prior to and after the proposed prepayment is at least 1.1 times the annual debt service on the then-outstanding Bonds. As of May 1, 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. 2018-1 – 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 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, the Fiscal Agent shall withdraw moneys from the Capitalized Interest Subaccount in an amount equal to the corresponding interest payment due on the 2019 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 2019 Bonds, certain proceeds of the 2019 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.

Upon the issuance of Parity Bonds, the Community Facilities District may establish separate accounts of the Reserve Fund applicable thereto as shall be set out in the corresponding Supplement.

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 E – “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 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 E – “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; Future Annexations

The Community Facilities District may at any time issue Additional Bonds payable from Net Taxes and other amounts deposited in the Special Tax Fund and the Reserve Fund, or accounts thereof, and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding 2019 Bonds.

The properties within the Community Facilities District are the initial properties to be included within the Community Facilities District and the boundaries of the Community Facilities District currently encompass only such properties. *It is anticipated that in the future additional properties will annex into the Community Facilities District and the boundaries will be expanded to encompass any properties which annex into the Community Facilities District.* Such annexed properties will be located within the boundaries of the School District, as the School District boundaries exist at the time of any such annexation. Should other properties annex into the Community Facilities District, the Community Facilities District anticipates that additional bonds will be issued based on the development within such annexed properties, and within the aggregate \$200,000,000 authorization and such Additional Bonds may be issued subject to certain conditions set forth in the Fiscal Agent Agreement, among which are the following:

- (a) The aggregate principal amount of the 2019 Bonds and all Parity Bonds issued may not exceed \$200,000,000; provided, however, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund less than all of the Outstanding Bonds where the issuance of such Parity Bonds conforms with the provisions and requirements of the Act and the remaining provisions of the Fiscal Agent Agreement, even if the total of such Outstanding Bonds exceeds \$200,000,000;
- (b) The Community Facilities District shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and any Supplement then in effect and a certificate of the Community Facilities District to that effect shall have been filed with the Fiscal Agent; provided, however, that Bonds may be issued notwithstanding that the Community Facilities District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the Community Facilities District will be in compliance with all such covenants;
- (c) The Fiscal Agent shall have received the following documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds from the Community Facilities District (unless the Fiscal Agent shall accept any of such documents bearing a prior date):
 - (1) A certified copy of the Supplement authorizing the issuance of such Parity Bonds;
 - (2) A certificate(s) from one or more Independent Financial Consultants which, when taken together, certify that the amount of the maximum Special Taxes that may be levied by the Community Facilities District on then-existing Taxable Property (as defined in the Rate and Method) pursuant to the Act and the applicable resolutions and ordinances of the Community Facilities District in each remaining Bond Year is at least 1.10 times Annual Debt Service for each corresponding Bond Year on all Outstanding 2019 Bonds theretofore issued, any Parity Bonds previously issued, and the Parity Bonds proposed to be issued. For purposes of making the certifications required by this paragraph, the Independent Financial Consultant(s) may rely on reports or certificates as may be acceptable to the Community Facilities District, the School District, Bond Counsel and the underwriter(s) of the proposed Parity Bonds; and

- (3) Written confirmation that the issuance of such Parity Bonds conforms to the provisions of Section 53345.8 of the Act and the Community Facilities District Finance Policy then applicable to the Community Facilities District (specifically, and in accordance with the requirements of Government Code Section 53345.8, the Legislative Body shall be provided with documentation to determine, and shall determine, that the value of the real property within the Community Facilities District (which is subject to the Special Taxes) is at least 8 times the sum of the principal amount of (i) the Outstanding 2019 Bonds, (ii) then-Outstanding Parity Bonds, (iii) the Parity Bonds to be issued, and (iv) all other bonds that are secured by a special tax pursuant to the Act or a special assessment on property within the Community Facilities District, such determination shall be based on the full value of such property as required under State law and upon documents presented to the Legislative Body); and
- (d) The balance in the Reserve Fund, or one or more accounts thereof, on account established for the Parity Bonds shall be equal to the Reserve Requirement on the delivery date of such Parity Bonds.

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.”

[Remainder of Page Intentionally Left Blank]

Table 2
Community Facilities District No. 2018-1
of the Temecula Valley Unified School District
Projected Special Taxes and Estimated Debt Service Coverage

Year Ending (September 1)	Estimated Number of Taxable Lots Categorized as Developed Property ⁽¹⁾	Gross Special Tax Levy of the Annual Maximum Special Tax Developed Property ⁽²⁾	Administrative Expense Requirement ⁽³⁾	Net Special Tax Levy of the Annual Maximum Special Tax - Developed Property ⁽²⁾	Debt Service on the 2019 Bonds	Estimated Debt Service Coverage ⁽⁴⁾
2019	24	\$40,475.43	\$31,500.00	\$8,975.43	\$21,651.77 ⁽⁵⁾	N/A
2020	102	189,163.74	32,130.00	157,033.74	139,931.26	112.22%
2021	105	194,738.07	32,772.60	161,965.47	143,731.26	112.69
2022	105	194,738.07	33,428.05	161,310.02	141,931.26	113.65
2023	105	194,738.07	34,096.61	160,641.46	145,131.26	110.69
2024	105	194,738.07	34,778.55	159,959.53	143,131.26	111.76
2025	105	194,738.07	35,474.12	159,263.95	141,131.26	112.85
2026	105	194,738.07	36,183.60	158,554.47	143,631.26	110.39
2027	105	194,738.07	36,907.27	157,830.80	140,881.26	112.03
2028	105	194,738.07	37,645.42	157,092.65	138,131.26	113.73
2029	105	194,738.07	38,398.32	156,339.75	140,381.26	111.37
2030	105	194,738.07	39,166.29	155,571.78	137,381.26	113.24
2031	105	194,738.07	39,949.62	154,788.45	139,381.26	111.05
2032	105	194,738.07	40,748.61	153,989.46	136,131.26	113.12
2033	105	194,738.07	41,563.58	153,174.49	137,881.26	111.09
2034	105	194,738.07	42,394.85	152,343.22	134,381.26	113.37
2035	105	194,738.07	43,242.75	151,495.32	137,281.26	110.35
2036	105	194,738.07	44,107.60	150,630.47	135,031.26	111.55
2037	105	194,738.07	44,989.76	149,748.31	132,687.50	112.86
2038	105	194,738.07	45,889.55	148,848.52	130,343.76	114.20
2039	105	194,738.07	46,807.34	147,930.73	133,000.00	111.23
2040	105	194,738.07	47,743.49	146,994.58	129,000.00	113.95
2041	105	194,738.07	48,698.36	146,039.71	130,000.00	112.34
2042	105	194,738.07	49,672.33	145,065.74	130,750.00	110.95
2043	105	194,738.07	50,665.77	144,072.30	126,250.00	114.12
2044	105	194,738.07	51,679.09	143,058.98	126,750.00	112.87
2045	105	194,738.07	52,712.67	142,025.40	127,000.00	111.83
2046	105	194,738.07	53,766.92	140,971.15	127,000.00	111.00
2047	105	194,738.07	54,842.26	139,895.81	126,750.00	110.37
2048	105	194,738.07	55,939.11	138,798.96	121,250.00	114.47
2049	105	194,738.07	57,057.89	137,680.18	120,750.00	114.02
Total	N/A	\$5,877,043.22	\$1,334,952.38	\$4,542,090.83	\$4,058,664.45	N/A

(1) 24 taxable lots had building permits issued as of March 1, 2018, and were taxed as Developed Property in Fiscal Year 2018-19. 102, or an additional 78 taxable lots, had building permits as of March 1, 2019, and are projected to be taxed as Developed Property in Fiscal Year 2019-20. Three additional taxable lots are projected to have a building permit as of March 1, 2020, and as such 105 taxable lots are projected to be levied as Developed Property in Fiscal Year 2020-21.

(2) Based on the projected levy of the Annual Maximum Special Tax – Developed Property which does not escalate after the Initial Fiscal Year in which a Parcel is levied as Developed Property less the Administrative Expense Requirement, the amount of which increases at 2% annually.

(3) The Administrative Expense Requirement as defined in the Fiscal Agent Agreement is set at \$31,500 in Fiscal Year 2018-19 and escalates 2% each Fiscal Year thereafter.

(4) Calculated by dividing the net Annual Maximum Special Tax – Developed Property by the debt service on the 2019 Bonds.

(5) To be paid from capitalized interest.

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

COMMUNITY FACILITIES DISTRICT NO. 2018-1

General Information

The Community Facilities District comprised of two non-contiguous single-family residential subdivisions. One is a 51-lot single-family residential subdivision, known as Alure (KB Coastal) which is located in an unincorporated area of the County known as French Valley. The second is a 54-lot single-family residential subdivision, known as Indigo Place (DR Horton), which is located in the City of Temecula. Alure is located approximately one mile east of Winchester Road (Highway 79), and to the southeast of the intersection of Thompson Road and Pourroy Road, with the French Valley Airport approximately 2 miles to the southwest. Indigo Place is located approximately one-half miles east of Interstate 15 (I-15), and to the northeast of the intersection of Mira Loma Road and Rancho Vista Road. Alure encompasses approximately 11.49 net acres and Indigo Place encompasses approximately 3.38 net acres.

Utility services for parcels in the Community Facilities District will be 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 January 16, 2018, the Board adopted Resolution No. 2017-18/18 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. 2017-18/19 stating its intention to incur bonded indebtedness in an amount not to exceed \$200,000,000 with respect to the Community Facilities District. The Community Facilities District will finance school facilities. See “FACILITIES TO BE FINANCED WITH PROCEEDS OF THE 2019 BONDS” herein.

Resolution Approving Mitigation Agreements: On January 16, 2018, the Board adopted Resolution No. 2017-18-17 which authorized the execution of the Mitigation Agreements.

Resolution of Formation: On February 20, 2018, 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 February 20, 2018, the Board adopted Resolution No. 2017-18/30 (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 February 20, 2018, the Board adopted Resolution No. 2017-18/31 declaring the necessity to incur bonded indebtedness in an amount not to exceed \$200,000,000 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 February 20, 2018, 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 \$200,000,000 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 February 20, 2018, the Board adopted Resolution No. 2017-18/32 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 February 20, 2018, proceedings was recorded in the real property records of Riverside County on March 8, 2018, as Instrument No. 2018-0089591.

Ordinance Levying Special Taxes: On March 6, 2018, the Board adopted the Ordinance levying the Special Tax within the Community Facilities District.

Resolution Authorizing Issuance of the 2019 Bonds: On May 7, 2019, the Board adopted the Resolution of Issuance approving issuance of the 2019 Bonds in a principal amount not to exceed \$3,000,000.

[Remainder of Page Intentionally Left Blank]

Maximum and Actual Annual Special Taxes

Table 3A 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, 24 building permits had been issued. As of February 28, 2019, the date of value of the Appraisal Report, an aggregate of 102 building permits had been issued. The three lots for which building permits had not been issued serve as parking lots for model homes. Permits will not be issued with respect to these lots until the respective sales office of KB Coastal or DR Horton, as applicable, are closed.

Table 3A
Community Facilities District No. 2018-1
of the Temecula Valley Unified School District
Fiscal Year 2018-19 Maximum and Actual Annual Special Tax by Land Use Category and
Ownership Status as of March 1, 2019

Property Ownership / Status ⁽¹⁾	Number of Taxable Lots ⁽²⁾	Number of Developed Taxable Lots for Fiscal Year 2018-19 ⁽³⁾	Fiscal Year 2018-19 Total Special Tax Levy	Fiscal Year 2018-19 Percentage of Total Special Tax Levy
Individual Owned	69	20	\$33,301.54	82.28%
Developers				
<i>KB Coastal (Alure) (Tract 35161)</i>				
Completed – Not Closed ⁽⁴⁾	7	2	\$4,263.64	10.53%
Permits Issued	9	0	0.00	0.00
Undeveloped (Permits Not Issued)	1	NA	0.00	0.00
Subtotal, KB Coastal (Tract 35161)	17	2	\$4,263.64	10.53%
<i>DR Horton (Indigo Place) (Tract 33584)</i>				
Completed – Not Closed ⁽⁴⁾	17	2	\$2,910.22	7.19%
Permits Issued	0	0	0.00	0.00
Undeveloped (Permits Not Issued)	2	NA	0.00	0.00
Subtotal, DR Horton (Tract 33584)	19	2	\$2,910.22	7.19%
Subtotal, Developer Owned ⁽⁴⁾	36	4	\$7,173.86	17.72%
Total	105	24	\$40,475.40	100.00%

⁽¹⁾ Ownership status as described in the Appraisal Report as contained in Appendix D, which provides ownership status as of February 28, 2019.

⁽²⁾ Building permits issued as of March 1, 2019. Additional permits have been issued since March 1, 2019. See Table 8 and the footnotes thereto under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT – DR Horton – *DR Horton Development Plan*” and Table 10 and the footnotes thereto under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT – KB Coastal – *KB Coastal Development Plan*.” Developed Property pursuant to the Rate and Method is defined as a lot or parcel which has obtained a building permit on or before March 1st of the previous Fiscal Year. For the Fiscal Year 2018-19 levy, 24 dwelling units were be classified as Developed and levied a Special Tax.

⁽³⁾ Assessor’s Parcels which are classified as Undeveloped Property as of March 1 are not subject to the levy of Special Taxes in the following fiscal year.

⁽⁴⁾ Under the column captioned Number of Developed Taxable Lots for Fiscal Year 2018-19, and the rows under the subheading “Developers,” captioned Completed – Not Closed, the 2 shown for each Developer represents the 2 model homes in each of the 2 developments.

Source: Special District Financing & Administration, LLC.

Table 3B below summarizes the Fiscal Year 2019-20 Community Facilities District Special Tax levy to be made in accordance with the Rate and Method. As indicated above, as of February 28, 2019, the date of value of the Appraisal Report, an aggregate of 102 building permits had been issued. The three lots for which building permits had not been issued serve as parking lots for model homes. Permits will not be issued with respect to these lots until the respective sales office of KB Coastal or DR Horton, as applicable are closed.

Table 3B
Community Facilities District No. 2018-1
of the Temecula Valley Unified School District
Projected Fiscal Year 2019-20 Maximum and Actual Annual Special Tax by Land Use
Category and Ownership Status as of March 1, 2019

Property Ownership ⁽¹⁾	Number of Taxable Lots ⁽²⁾	Number of Developed Taxable Lots for Fiscal Year 2019-20 ⁽³⁾⁽⁴⁾	Fiscal Year 2019-20 Total Special Tax Levy	Fiscal Year 2019-20 Percentage of Total Special Tax Levy
Individual Owned	69	69	\$127,293.72	67.29%
Developers				
<i>KB Coastal (Alure) (Tract 35161)</i>				
Completed – Not Closed ⁽⁵⁾	7	7	\$15,063.20	7.96%
Permits Issued	9	9	20,141.72	10.65
Undeveloped (Permits Not Issued)	1	N/A	0.00	0.00
Subtotal, KB Coastal (Tract 35161)	17	16	\$35,204.92	18.61%
<i>DR Horton (Indigo Place) (Tract 33584)</i>				
Completed – Not Closed ⁽⁵⁾	17	17	\$26,664.60	14.10%
Permits Issued	0	0	0.00	0.00
Undeveloped (Permits Not Issued)	2	NA	0.00	0.00
Subtotal, DR Horton (Tract 33584)	19	17	\$26,664.60	14.10%
Subtotal, Developer Owned	36	33	\$61,869.52	32.71%
Total	105	102	\$189,163.24	100.00%

⁽¹⁾ Ownership status as described in the Appraisal Report as contained in Appendix D, which provides ownership status as of February 28, 2019.

⁽²⁾ Building permits issued as of March 1, 2019.

⁽³⁾ Developed Property pursuant to the Rate and Method is defined as a lot or parcel which has obtained a building permit on or before March 1st of the previous Fiscal Year. For the Fiscal Year 2019-20 levy, a projected 102 dwelling units will be classified as Developed and levied a Special Tax.

⁽⁴⁾ Assessor's Parcels which are classified as Undeveloped Property as of March 1 are not subject to the levy of Special Taxes in the following fiscal year.

⁽⁵⁾ Under the column captioned Property Owners, of the Developed Parcels in Fiscal Year 2019-20, 2 of the 7 lots referenced with respect to KB Coastal and 2 of the 17 lots referenced with respect to DR Horton under the subheadings of Completed – Not Closed include model homes for each of the 2 developments.

Source: Special District Financing & Administration, LLC.

As indicated under “ – Rate and Method” above, the Community Facilities District levies the Special Tax on Developed Property in an amount equal to the Assigned Annual Special Tax. A portion of the Special Tax Requirement may be utilized for acquisition and/or construction of the Project. In the event the Community Facilities District were to levy Special Taxes on Developed Property at less than the Assigned Annual Special Tax, pursuant to Section 53321 of the Act and the Resolution of Formation, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner 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. As a result, it is possible that the Community Facilities District may not be able to increase the Special Tax levy to the Assigned Special Tax on residential parcels in all years. 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.

Appraisal Report

The Appraisal Report has been prepared by the Appraiser in connection with issuance of the 2019 Bonds. The purpose of the Appraisal Report was to estimate the market value (fee simple estate), by ownership and Assessor’s parcel and cumulative, or aggregate value of the appraised properties comprising the Community Facilities District. The Appraisal Report reflects an aggregate of 102 residential dwelling units, 69 individually owned completed-sold homes (closed sale to homeowners), 24 completed-unsold homes (builder-owned, over 95% complete, including 4 model homes), 9 lots with homes under construction (i.e., building permits issued) and 3 improved lots ready for home construction. The Appraisal Report is based on certain assumptions and limiting conditions expressed therein. Subject to these assumptions and limiting conditions, the Appraiser estimated that the market value (fee simple estate) of the Taxable Property within such portion of the Community Facilities District (subject to the lien of the Special Taxes), as of February 28, 2019, was \$39,636,000. See Table 8 and the footnotes thereto under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT – DR Horton – *DR Horton Development Plan*” and Table 10 and the footnotes thereto under the caption “PROPERTY OWNERSHIP AND DEVELOPMENT – KB Coastal – *KB Coastal Development Plan*.”

As of February 28, 2019, the date of value of the Appraisal Report, the Taxable Property in the Community Facilities District was owned by individual homeowners (69), by DR Horton (17 completed homes, including 2 model homes and 2 near-finished lots) and by KB Coastal (7 completed homes, including 2 model homes, 9 homes under construction and 1 near-finished lot). See “COMMUNITY FACILITIES DISTRICT NO. 2018-1 – Appraisal Report” and “PROPERTY OWNERSHIP AND DEVELOPMENT – DR Horton Development Plan” and “ – “KB Coastal Development Plan” for development status as of May 1, 2019. Future delinquencies by DR Horton, KB Coastal, or numerous individual owners of Taxable Property in the Community Facilities District in the payment of property taxes (and, consequently, the Special Taxes, which are collected on the ordinary property tax bills) when due could result in a deficiency in Special Tax revenues necessary to pay debt service on the Bonds, which could in turn result in the depletion of the Reserve Fund, prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax. In that event, there could be a delay or failure in payments of the principal of and interest on the Bonds. See “SECURITY FOR THE BONDS – Reserve Fund” and “COMMUNITY FACILITIES DISTRICT NO. 2018-1 –Delinquency History.”

Value-to-Debt Ratios

Table 4A below sets forth the value-to-debt analysis for the Community Facilities District based on individual and Developer ownership, utilizing overlapping debt information as of February 1, 2019, and utilizing the Appraised Values in the Appraisal Report, and allocating the 2019 Bonds to each of the 102 taxable lots categorized as Developed Property as of February 28, 2019, which will be levied in Fiscal Year 2019-20. The Appraised Values result in an estimated aggregate value-to-debt ratio 17.81:1, 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. 2018-1 – 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 Appraised Values of the 102 taxable lots and appraised improvements thereon result in an approximate value-to-debt ratios ranging from 6.13:1 to 21.14:1, with respect to the 102 lots which are taxed in Fiscal Year 2019-20. The value-to-debt ratios of individual taxable lots will differ from the aggregate values presented below. See “BONDOWNERS’ RISKS – Appraised Values; Assessed Values,” and “ – Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property.”

PACE/HERO Program. The Western Regional Council of Governments (“WRCOG”) administers a home energy renovation opportunity program (also referred to as the “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. No property owners were participating in the HERO Program based on County Treasurer records relating to Fiscal Year 2018-19.

See “COMMUNITY FACILITIES DISTRICT NO. 2018-1 – Value-to-Debt Ratios. See “COMMUNITY FACILITIES DISTRICT No. 2018-1 – 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.

[Remainder of Page Intentionally Left Blank]

Table 4A
Community Facilities District No. 2018-1
of the Temecula Valley Unified School District
Value-to-Debt Analysis – Bonds Allocated by Projected Fiscal Year 2019-20 Special Tax Levy ⁽¹⁾
(As of March 1, 2019) ⁽²⁾

Ownership ⁽¹⁾	Number of Taxable Lots ⁽²⁾	Total Appraised Value ⁽¹⁾	2019 Bonds ⁽³⁾	Other Debt ⁽⁴⁾	Total Debt	Value-to- Debt	Projected Fiscal Year 2019-20 Total Special Tax Levy	Projected Fiscal Year 2019-20 Percentage of Total Special Tax Levy
Individual Owners	69	\$28,101,000	\$1,477,083	\$21,368	\$1,498,450	18.75 : 1	\$127,293.72	67.29%
Developers								
<u>KB Coastal (Alure) (Tract 35161)</u>								
Completed – Not Closed	7	\$2,968,000	\$174,789	\$2,257	\$177,046	16.76 : 1	\$15,063.20	7.96%
Permits Issued ⁽⁵⁾	9	1,440,000	233,719	1,095	234,814	6.13 : 1 ⁽⁵⁾	20,141.72	10.65
Undeveloped (Permits Not Issued) ⁽⁶⁾	1	160,000	0	122	122	NA	0.00	0.00
Subtotal, KB Coastal (Tract 35161) ⁽⁷⁾	17	\$4,568,000	\$408,509	\$3,473	\$411,982	11.09 : 1	\$35,204.92	18.61%
<u>DR Horton (Indigo Place) (Tract 33584)</u>								
Completed – Not Closed	17	\$6,647,000	\$309,409	\$5,054	\$314,463	21.14 : 1	\$26,664.60	14.10%
Undeveloped (Permits Not Issued) ⁽⁶⁾	2	320,000	0	243	243	NA	0.00	0.00
Subtotal, DR Horton (Tract 33584) ⁽⁷⁾	19	\$6,967,000	\$309,409	\$5,298	\$314,707	22.14 : 1	\$26,664.60	14.10%
Subtotal, Developer Owned ⁽⁷⁾	36	\$11,315,000	\$717,917	\$8,771	\$726,689	15.87 : 1	\$61,869.52	32.71%
Total ⁽⁷⁾	105	\$39,636,000	\$2,195,000	\$30,139	\$2,225,139	17.81 : 1	\$189,163.24	100.00%

⁽¹⁾ Source: Appraisal Report.

⁽²⁾ As of March 1, 2019, 102 taxable lots had obtained building permits and as such are projected to be levied as Developed Property for Fiscal Year 2019-20.

⁽³⁾ Includes the 2019 Bonds to be issued by the Community Facilities District; debt has been allocated by the amount of the Special Tax projected to be levied for Fiscal Year 2019-20.

⁽⁴⁾ Source: Table 5 – Detailed Direct and Overlapping Debt Report provided by California Municipal Statistics, Inc. as of February 1, 2019. Direct and overlapping tax and assessment debt has been allocated based on Total Appraised Value. Excludes overlapping general fund debt. The actual allocation of debt per lot may vary.

⁽⁵⁾ The nine dwelling units shown in the Value-to-Debt Category of 6.13:1 have Value-to-Debt Ratios ranging from 5.60:1 to 6.99:1. These Value-to-Debt ratios reflect an Appraised value of \$160,000 per taxable lot based on a status of only a building permit issued, with no improvement value assigned by the Appraiser.

⁽⁶⁾ Such taxable lots will not be levied as Developed Property for Fiscal Year 2019-20 and were not allocated any of the 2019 Bonds debt. *Assessor's Parcels which are classified as Undeveloped Property as of March 1 are not subject to the levy of Special Taxes in the following fiscal year.*

⁽⁷⁾ Totals may not sum due to rounding.

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

Table 4B below sets forth the value-to-debt analysis for the Community Facilities District based on ranges of value-to-debt categories, utilizing overlapping debt as of February 1, 2019, and the Appraised Values in the Appraisal Report, and allocating the 2019 Bonds to each of the 102 taxable lots categorized as Developed Property as of February 28, 2019, which will be levied in Fiscal Year 2019-20. The Appraised Values result in an estimated aggregate value-to-debt ratio of 17.81:1, 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. 2018-1 – 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 Appraised Values of the 102 taxable lots and appraised improvements thereon result in an approximate value-to-debt ratios ranging from 6.13:1 to 21.14:1, with respect to the 102 lots which are taxed in Fiscal Year 2019-20. The value-to-debt ratios of individual taxable lots will differ from the aggregate values presented below. See “BONDOWNERS’ RISKS – Appraised Values; Assessed Values,” and “ – Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property.”

[Remainder of Page Intentionally Left Blank]

Table 4B
Community Facilities District No. 2018-1
of the Temecula Valley Unified School District
Value-to-Debt Analysis – Bonds Allocated by Projected Fiscal Year 2019-20 Special Tax Levy ⁽¹⁾
(As of March 1, 2019) ⁽²⁾

Value-to-Debt	Number of Taxable Lots ⁽¹⁾	Total Appraised Value ⁽²⁾	2019 Bonds ⁽³⁾	Other Debt ⁽⁴⁾	Total Debt	Value-to-Debt	Projected Fiscal Year 2019-20 Total Special Tax Levy	Projected Fiscal Year 2019-20 Percentage of Total Special Tax Levy
> 30.00 to 1 ⁽⁵⁾	3	\$480,000	\$0	\$365	\$365	NA	\$0.00	0.00%
25.01 to 30.00	20	6,647,000	257,679	5,054	262,733	25.30 : 1	22,206.54	11.74
20.01 to 25.00	15	5,865,000	271,609	4,460	276,069	21.24 : 1	23,407.04	12.37
15.01 to 20.00	49	20,116,000	1,090,487	15,296	1,105,783	18.19 : 1	93,977.22	49.68
10.00 to 15.00	12	5,088,000	341,506	3,869	345,375	14.73 : 1	29,430.72	15.56
< 10.00 to 1 ⁽⁶⁾	9	1,440,000	233,719	1,095	234,814	6.13 : 1	20,141.72	10.65
Total	108	\$39,636,000	\$2,195,000	\$30,139	\$2,225,139	17.81 : 1	\$189,163.24	100.00%

⁽¹⁾ As of March 1, 2019, 102 taxable lots had obtained building permits and as such levied as Developed Property for Fiscal Year 2019-20.

⁽²⁾ Source: Appraisal Report.

⁽³⁾ Includes the 2019 Bonds to be issued by the Community Facilities District; debt has been allocated by the amount of the Special Tax levy for Fiscal Year 2019-20.

⁽⁴⁾ Source: Table 5 – Detailed Direct and Overlapping Debt Report provided by California Municipal Statistics, Inc. as of February 1, 2019. Direct and overlapping tax and assessment debt has been allocated based on Total Appraised Value. Excludes overlapping general fund debt. The actual allocation of debt per lot may vary.

⁽⁵⁾ The three taxable lots shown in the Value-to-Debt Category of over 30:00:1 did not have a building permit issued as of March 1, 2019, and as such will not be levied as Developed property for Fiscal Year 2019-20 and were not allocated any of the 2019 Bonds debt. *Assessor's Parcels which are classified as Undeveloped Property as of March 1 are not subject to the levy of Special Taxes in the following fiscal year.*

⁽⁶⁾ The nine dwelling units shown in the Value-to-Debt Category of less than 10.00 have Value-to-Debt Ratios ranging from 5.60:1 to 6.99:1. These Value-to-Debt ratios reflect an Appraised value of \$160,000 per taxable lot based on a status of only a building permit issued, with no improvement value assigned by the Appraiser.

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. as of 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. There are parcels included within the Community Facilities District relating to a water quality basin, open space in the case of Alure and a recreation center and slopes in the case of Indigo Place, which will not become Developed Property, and as such are not subject to the levy of Special Taxes. 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 F hereto for the form of the Continuing Disclosure Certificate.

As discussed above under the caption “COMMUNITY FACILITIES DISTRICT NO. 2018-1 – Value-to-Debt Ratios – *PACE/HERO Program*,” no property owners are participating in the HERO Program based on County Treasurer records relating to Fiscal Year 2018-19.

[Remainder of Page Intentionally Left Blank]

Table 5
Community Facilities District No. 2018-1
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. 2018-1

2018-19 Local Secured Assessed Valuation: \$4,567,692

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/19</u>
Metropolitan Water District General Obligation Bonds	0.0002%	\$ 88
Mount San Jacinto Community College District General Obligation Bonds	0.005	8,650
Temecula Valley Unified School District General Obligation Bonds	0.019	21,029
Eastern Municipal Water District Improvement District U8	0.010	372
Temecula Valley Unified School District Community Facilities District No. 2018-1	100.000	_____ ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$30,139
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.002%	\$12,666
Riverside County Pension Obligation Bonds	0.002	4,340
City of Temecula General Fund Obligations	0.011	<u>2,013</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$19,019
Less: Riverside County supported obligations		<u>42</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$18,977
 GROSS COMBINED TOTAL DEBT		\$49,158 ⁽²⁾
NET COMBINED TOTAL DEBT		\$49,116

(1) Excludes 2019 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.....	0.66%
Gross Combined Total Debt.....	1.08%
Net Combined Total Debt.....	1.08%

Source: California Municipal Statistics, Inc.

Table 6A below sets forth a sample tax bill for Fiscal Year 2018-19 for Tract 35161 (Alure).

Table 6A
Community Facilities District No. 2018-1
of the Temecula Valley Unified School District
Estimated Fiscal Year 2018-19 Tax Rates
(Tract 35161 – Alure)

APPRAISED VALUATION AND PROPERTY TAXES

Total Square Footage of Developed Taxable Property ⁽¹⁾	131,162
Number of Developed Dwelling Units ⁽¹⁾	50
Average Developed Home Size	2,623
Appraised Value of Developed Taxable Dwelling Unit ⁽²⁾	\$424,000

	<i>Percent of Total Assessed Valuation</i>	<i>Expected Amount to be Levied</i>
AD VALOREM PROPERTY TAXES	1.04731%	
General Purpose	1.00000	\$4,240.00
Temecula Valley Unified School District	0.03061	129.79
Mt. San Jacinto Junior College	0.01320	55.97
MWD Debt Service	0.00350	14.84

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES

Riverside County Flood Control District	\$4.00
County CSA 103 Countywide Street Lighting	119.85
County CSA 152 Countywide Street Sweeping	80.64
County CSA 152 Drainage Basin Maintenance	245.10
Valley Wide LMD Facilities 88-1 Standby Charge	5.54
EMWD Standby Charge	40.00
MWD Standby Charge	6.94
Valley Wide Recreation and Park French Valley CFD Zone 13	1,422.90
TVUSD CFD No. 2018-1 (\$0.8134 per square foot)	2,133.55

PROJECTED TOTAL PROPERTY TAXES

\$8,499.11

Percent of Property Taxes to Developed Property Appraised Value:

2.00%

⁽¹⁾ According to the records of the County, 51 lots have received a building permit as of March 1, 2019. These permits detail the square footage of the dwelling units within Tract 35161 which sum to a total square footage of 131,162.

⁽²⁾ The Appraised Value of Developed Taxable Property for Tract 35161 is sourced from the Appraisal Report.

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

Table 6B below sets forth a sample tax bill for Fiscal Year 2018-19 for Tract 33584 (Indigo Place).

Table 6B
Community Facilities District No. 2018-1
of the Temecula Valley Unified School District
Estimated Fiscal Year 2018-19 Tax Rates
(Tract 33584 – Indigo Place)

APPRAISED VALUATION AND PROPERTY TAXES

Total Square Footage of Developed Taxable Property ⁽¹⁾	95,203
Number of Developed Dwelling Units ⁽¹⁾	52
Average Developed Home Size	1,831
Appraised Value of Developed Taxable Dwelling Unit ⁽²⁾	\$391,000

	<i>Percent of Total Assessed Valuation</i>	<i>Expected Amount to be Levied</i>
AD VALOREM PROPERTY TAXES	1.34931%	
General Purpose	1.00000	\$3,910.00
Temecula Valley Unified School	0.03061	119.69
Mt. San Jacinto Junior College	0.01320	51.61
MWD Debt Service	0.00350	13.69
EMWD U8	0.00200	7.82
Rancho California Water District ⁽³⁾	0.30000	375.00

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES

City of Temecula Parks and Street Lighting Maintenance	74.44
Temecula CSA Street Lighting Maintenance	25.68
Temecula CSA Trash and Recycling	281.52
EMWD Standby Charge	11.60
MWD Standby Charge	6.94
Riverside County Flood Control Standby Charge	4.00
TVUSD CFD No. 2018-1 (\$0.8134 per square foot)	1,489.34

PROJECTED TOTAL PROPERTY TAXES \$6,371.32

Percent of Property Taxes to Developed Property Appraised Value: 1.63%

⁽¹⁾ According to the records of the County, 52 lots have received a building permit as of March 1, 2019. These permits detail the square footage of the dwelling units within Tract 33584 which sum to a total square footage of 95,203.

⁽²⁾ The Appraised Value of Developed Taxable Property for Tract 33584 is sourced from the Appraisal Report.

⁽³⁾ Rancho California Water District levies a charge of \$0.30 per \$100 of land value for water facilities. The above assumes a land value of \$125,000.

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 5 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 2019 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 – Appraised Values; Assessed Values.”

[Remainder of Page Intentionally Left Blank]

Delinquency History

Fiscal Year 2018-19 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. 2018-1 of the
Temecula Valley Unified School District
Historical Delinquency and Collection Rates**

Fiscal Year	Number of Taxable Lots Levied ⁽¹⁾	Total Special Tax Levied	Taxable Lots Delinquent	Amount Delinquent as of June 30 ⁽²⁾	% Delinquent June 30	Delinquency as of May 3, 2019		
						Taxable Lots Delinquent	Amount Delinquent	% Delinquency
2018-19	24	\$40,475.40	NA	NA	NA	0	\$0.00	0.00%

⁽¹⁾ In Fiscal Year 2018-19, there were 2 parcels containing 24 taxable lots.

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

Source: Special District Financing & Administration, LLC.

PROPERTY OWNERSHIP AND DEVELOPMENT

Representatives of the Developers have provided the information in their respective portions of this section of the Official Statement. None of the Underwriter, the School District or the Community Facilities District has independently confirmed or verified the information in this section of the Official Statement, and none of any of such parties makes any representation as to the accuracy or adequacy of the information contained in this section. Further, there may be material adverse changes in this information after the date of this Official Statement.

The information in this section of the Official Statement regarding ownership of certain taxable property in the Community Facilities District has been included because it is considered relevant to an informed evaluation of the 2019 Bonds. The inclusion in this Official Statement of information related to each Developer should not be construed to suggest that the 2019 Bonds, or the Net Taxes that will be used to pay the 2019 Bonds, are recourse obligations of either Developer or any other property owner in the Community Facilities District. A property owner may sell or otherwise dispose of land within the Community Facilities District or a development or any interest therein at any time.

The Bonds and the Special Taxes are not personal obligations of either Developer or any other current or subsequent property owners and, in the event that a Developer or any other current or subsequent property owner defaults in the payment of the Special Taxes, the Community Facilities District may proceed with judicial foreclosure but has no direct recourse to the assets of such Developer or any other current or subsequent property owner. As a result, other than as provided in the Official Statement, no financial statements or information is, or will be, provided about either Developer or any other current or subsequent property owner. The Bonds are secured solely by the Net Taxes and other amounts pledged under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS” and “BONDOWNERS’ RISKS.”

DR Horton

DR Horton. As previously defined in this Official Statement, “**DR Horton**,” is Western Pacific Housing, Inc. a Delaware corporation, doing business as DR Horton, *America’s Builder*, which owns and is developing the taxable property in the Indigo Place project within the Community Facilities District. DR Horton is a subsidiary of D.R. Horton, Inc., a Delaware corporation (“**D.R. Horton, Inc.**”), a public company whose common stock is included in the S&P 500 Index and listed on the New York Stock Exchange under the ticker symbol “DHI.” Founded in 1978 and headquartered in Fort Worth, Texas, D.R. Horton, Inc. constructs and sells homes through its operating divisions in 84 markets in 29 states under the names of DR Horton, *America’s Builder*, Emerald Homes, Express Homes and Freedom Homes.

D.R. Horton, Inc. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and in accordance therewith files reports, proxy statements and other information, including financial statements, with the SEC. Such filings, particularly, D.R. Horton, Inc.’s Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed by D.R. Horton, Inc. with the Securities and Exchange Commission (the “**SEC**”) on November 7, 2018, and D.R. Horton, Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2019, as filed by D.R. Horton, Inc. with the SEC on April 30, 2019, set forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc. and its subsidiaries, including DR Horton, as of such dates.

D.R. Horton, Inc./Forestar Merger. During fiscal year 2018, D.R. Horton, Inc. announced the acquisition of approximately 75% of the then outstanding shares of Forestar Group, Inc. (NYSE: FOR) (“**Forestar**”). The transaction establishes a strategic relationship between Forestar and D.R. Horton Inc. for the supply of developed lots, as an extension of D.R. Horton, Inc.’s strategy to expand relationships with land developers and increase the optioned portion of its homebuilding land and lot position to enhance operational efficiency and returns.

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

Copies of D.R. Horton, Inc.'s Annual Report and each of its other quarterly and current reports, including any amendments, are available from D.R. Horton, Inc.'s website at www.drhorton.com.

The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet websites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such Internet websites. Investors should not rely on the information and financial statements contained on these websites in evaluating whether to buy, hold or sell the 2019 Bonds.

DR Horton – Other Developments.

A sample of other development projects currently under development by DR Horton's South Coast/Inland Empire Division in Southern California include the following:

Site Name	Location	Approx. Base Selling Price Range ⁽¹⁾	Description	Est. No. of Homes at Completion	Time Period of Development
Larkspur at Spencer's Crossing	Murrieta, CA	\$438,000 - \$488,803	SFD, 8 Closed	68	12/3/18 - 9/1/20
Laurel Pointe at Summerly	Lake Elsinore, CA	\$369,990 - \$398,490	SFD, 11 Closed	58	11/26/18 - 6/14/20
Linden Pointe at Summerly	Lake Elsinore, CA	\$339,630 - \$379,360	SFD, 95 Closed	95	6/19/17 - 4/25/19
McKenna Pointe	Lake Elsinore, CA	\$366,990 - \$419,990	SFD, 81 Closed	81	8/30/19 - 4/24/19
Camden - Santa Rosa Highlands	Murrieta, CA	\$372,400 - \$422,990	Cluster, 26 Closed	65	8/1/18 - 9/1/20
Savanna Pointe - Santa Rosa Highlands	Murrieta, CA	\$348,990 - \$381,975	Duplex, 33 Closed	68	7/15/18 - 6/30/20
Sequoia - Santa Rosa Highlands	Murrieta, CA	\$424,420 - \$450,000	SFD, 28 Closed	51	7/24/18 - 2/16/20
The Oaks - Santa Rosa Highlands	Murrieta, CA	\$457,900 - \$541,405	SFD, 20 Closed	77	7/12/19 - 10/31/20
Sierra Ridge - Crescent Pointe	Menifee, CA	\$354,990 - \$400,325	SFD, 32 Closed	87	8/6/18 - 8/19/20
Sierra Ridge - Paloma	Menifee, CA	\$378,000 - \$450,810	SFD, 27 Closed	63	8/6/18 - 7/1/20
Tribute at Audie Murphy	Menifee, CA	\$412,990 - \$514,735	SFD, 42 Closed	88	2/8/18 - 7/1/20

⁽¹⁾ Based on development status as of April 5, 2019.

Source: DR Horton.

DR Horton Development Plan.

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

Background. As previously mentioned, the property currently owned by DR Horton within the Community Facilities District is in Final Tract Map No. 33584 and consists of 54 lots that have been, or are expected to continue to be, developed as detached units. The 54 lots are known as “Indigo Place.” The Indigo Place project within the Community Facilities District consists of approximately 3.38 net acres of Taxable Property (approximately 7.24 gross acres) located near the intersection of Mira Loma Drive and Rancho Vista Road in the unincorporated County. The Indigo Place project is within a homeowners’ association which currently has monthly association dues of approximately \$202 per lot. The association dues are used to maintain landscaping and irrigation of open space as well as to maintain a pool and nearby restrooms.

Development Status. Table 8 below shows the ownership of the Taxable Property within the Indigo Place project within the Community Facilities District as of February 28, 2019, and footnote 2 of Table 8 indicates additional information regarding home closings, homes completed and homes under construction between February 28, 2019, and May 1, 2019.

Table 8
Temecula Valley Unified School District
Community Facilities District No. 2018-1
Development Status
Indigo Place
(As of February 28, 2019)

<i>Plan</i>	<i>Estimated Base Sales Prices ⁽¹⁾</i>	<i>Approx. Square Feet of Unit</i>	<i>Completed Homes Owned by Individuals ⁽²⁾</i>	<i>Completed Units (Not Closed) ⁽²⁾⁽³⁾</i>	<i>Units Under Construction</i>	<i>Near Finished Lots</i>		<i>Total</i>
						<i>With Bldg. Permits</i>	<i>W/O Bldg. Permits ⁽⁴⁾</i>	
1	\$409,490	1,564	13	3	1	0	2	19
1x	423,990	1,751	2	2	0	0	0	5
2	428,990	1,974	12	1	1	0	0	14
3	437,990	2,014	<u>7</u>	<u>6</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>16</u>
TOTAL:			35	12	5	0	2	54

⁽¹⁾ Base sales prices for the homes are subject to change at any time by DR Horton. Base sales prices are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered.

⁽²⁾ Subsequent to February 28, 2019, through May 1, 2019, additional homes have closed escrow and have been completed, such that as of May 1, 2019, 40 homes are owned by individuals, 7 homes are completed and owned by DR Horton, 5 homes are under construction and 2 lots are in a near-finished condition without any home construction thereon.

⁽³⁾ Includes two homes currently used as model homes and 10 homes over 95% complete.

⁽⁴⁾ Includes near-finished lots for which building permits have not been issued.

Source: DR Horton.

The minimum lot size is 2,400 square feet and the average lot size is 2,700 square feet.

Entitlement Status. All discretionary entitlements required to complete the development and sales of homes in the Indigo Place project within the Community Facilities District have been received, except as otherwise described in this Official Statement and except for approvals required in the normal course of development. As of May 1, 2019, 52 building permits have been issued.

Mitigation Measures. Based on a geotechnical evaluation for property within the Indigo Place project within the Community Facilities District, no mitigation measures were recommended or required.

DR Horton has advised the Community Facilities District that it is not aware of any federally or State classified hazardous materials or any species currently listed as endangered located on any of its property in the Indigo Place project within the Community Facilities District. See the caption “BONDOWNERS’ RISKS – Factors Affecting Parcel Values and Aggregate Value – *Hazardous Substances*.”

Home Development and Sales. DR Horton currently anticipates that it will carry out home development activities on the property within the Indigo Place project, and to sell completed homes to individual homeowners. The construction and sales schedule is set forth below.

No assurance can be given that future home construction will be carried out, or that DR Horton’s construction and sale plans will not change after the date of this Official Statement.

Table 9
Temecula Valley Unified School District
Community Facilities District No. 2018-1
Construction and Sales Schedule
Indigo Place by DR Horton
(As of February 28, 2019)

Phase	No. of Units	Begin Home Construction ⁽¹⁾	First Home Closings	Last Home Sale Closings
Models	2	12/20/2017	TBD	TBD
1	9	1/9/2018	5/29/2018	8/22/2018
2	6	1/31/2018	6/28/2018	9/6/2018
3	6	4/2/2018	8/21/2018	3/28/2019*
4	9	5/1/2018	9/20/2018	2/27/2019
5	6	6/8/2018	11/28/2018	4/1/2019*
6	9	8/28/2018	2/19/2019	TBD
7	5	11/8/2018	TBD	TBD
Build-Out	<u>2</u>	TBD	TBD	TBD
Total	54			

⁽¹⁾ Home construction does not necessarily commence immediately after issuance of a building permit. 52 building permits have been issued. Two lots for which building permits have not yet been issued are currently being utilized as parking for the two model homes.

* Projected.

Source: DR Horton.

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

DR Horton Subdivision Map and Utilities.

Subdivision Map Status. All of the taxable property in the Indigo Place project is being developed in accordance with Tract Map No. 33584, which was recorded with the County on July 13, 2017, as instrument number 2017-0285547, and Lot Line Adjustment recorded with the County on April 2, 2018, as instrument number 2018-0125128.

Utilities. It is expected that utility services for the taxable property in the Indigo Place project will be provided by the following:

Water:	Eastern Municipal Water District
Sanitary Sewer:	Eastern Municipal Water District
Stormwater Drainage:	Riverside County Flood Control and Water Conservation District
Electricity:	Southern California Edison
Gas:	Southern California Gas Company
Telephone:	Frontier Communications
Cable:	Spectrum

DR Horton Financing Plan.

The full development of the land within the Community Facilities District requires the expenditure of substantial amounts of capital. As of February 19, 2019, DR Horton has expended approximately \$6.2 million in land acquisition and various site development and home construction costs (exclusive of internal financing repayment, sales and marketing, corporate overhead and carry costs) related to its property in the Community Facilities District. DR Horton estimates that it will require an additional \$220,000 to complete its development and sale and conveyance to individual homebuyers within the Community Facilities District. To date, DR Horton has financed its land acquisition and various site development and home construction costs related to its property in the Community Facilities District through home sales and internally generated funds. DR Horton expects to use home sales and internal funding to complete its development within the Community Facilities District. However, home sales revenues for DR Horton's Indigo Place project in the Community Facilities District are not segregated and set aside for completing its project in the Community Facilities District. Home sales revenue is swept daily from DR Horton's divisions for use in operations, to pay down debt and for other corporate purposes and might get diverted to other DR Horton needs at the discretion of DR Horton's management. Notwithstanding the foregoing, DR Horton believes that it will have sufficient funds available to complete its proposed development in the Community Facilities District, commensurate with the development timing described in this Official Statement.

There can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available from DR Horton or any other source when needed. Neither DR Horton, nor its parent, D.R. Horton, Inc., nor any of its related entities are under any legal obligation of any kind to expend funds for the remaining development of and construction of homes on its property in the Community Facilities District. Any contributions by DR Horton or any other entity to fund the costs of such development and home construction are entirely voluntary.

If and to the extent that the aforementioned sources, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by DR Horton within the Indigo Place project and other financing by DR Horton is not put into place, there could be a shortfall in the funds required to complete the proposed development by DR Horton in the Indigo Place project and the remaining portions of the Indigo Place project may not be developed.

Neither DR Horton nor its parent has a legal obligation to Bondowners to make any such funds available to fund the remaining development costs or to pay ad valorem property taxes or Special Taxes related to DR Horton's property in the Community Facilities District. Many factors beyond DR Horton's control, or a decision by DR Horton to alter its current plans, may cause the actual sources and uses to differ from the projections. See "BONDOWNERS' RISKS" herein.

DR Horton History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy.

In connection with the issuance of the 2019 Bonds, an authorized agent of DR Horton will execute a certificate containing the following representations (among others). For purposes of these representations, the following terms have the following meanings:

- **"Property"** means the Taxable Property currently owned by DR Horton within the Community Facilities District.

- **"Actual Knowledge of DR Horton"** means the knowledge that the authorized agent of DR Horton (the **"Authorized Agent"**) signing the applicable certificate containing the following representations (the **"Letter of Representations"**) currently has as of the date of the Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of DR Horton and its Relevant Entities as the Authorized Agent has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Letter of Representations and/or (ii) review of documents that were reasonably available to the Authorized Agent and which the Authorized Agent has reasonably deemed necessary for the Authorized Agent to obtain knowledge of the matters set forth in the Letter of Representations. The Authorized Agent has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of DR Horton's current business and operations. Individuals who are no longer employees of DR Horton or its Relevant Entities have not been contacted.

- **"Relevant Entity"** means, with respect to DR Horton, any other Person: (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with DR Horton, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of the Community Facilities District and investment decision regarding the 2019 Bonds (i.e., such Person's assets or funds would materially affect DR Horton's ability to develop its Property as described in this Official Statement or to pay the Special Taxes due at any time with respect to the portion of the Property then owned by DR Horton (to the extent the responsibility of DR Horton) prior to delinquency.

- **"Person"** means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes of the Letter of Representations, the term "control" (including the terms "controlling," "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Breaches of Agreements. To the Actual Knowledge of DR Horton, (a) DR Horton and its Relevant Entities are not in breach of, or in default under, any applicable judgment or decree or any loan agreement, line of credit, option agreement, development agreement (including mitigation agreements or joint community facilities agreements), indenture, fiscal agent agreement, bond or note (collectively, the “**Material Agreements**”) to which DR Horton or its Relevant Entities are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect DR Horton’s ability to develop the Property as described in this Official Statement or to pay the Special Taxes due at any time with respect to the portion of the Property then owned by DR Horton (to the extent the responsibility of DR Horton) prior to delinquency and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default under any Material Agreement which could reasonably be expected to materially and adversely affect the ability of DR Horton to develop the Property as described in the Official Statement or to pay the Special Taxes due at any time with respect to the portion of the Property then owned by DR Horton (to the extent the responsibility of DR Horton) prior to delinquency.

No Litigation. No action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against DR Horton (with proper service of process to DR Horton having been accomplished), or, to the Actual Knowledge of DR Horton, is pending against any current Relevant Entity (with proper service of process to such Relevant Entity having been accomplished), or, to the Actual Knowledge of DR Horton, is threatened in writing against DR Horton or any such Relevant Entity:

(a) to restrain or enjoin the collection of Special Taxes or other sums pledged or to be pledged to pay the principal of and interest on the 2019 Bonds (e.g., the Reserve Fund established under the Fiscal Agent Agreement),

(b) to restrain or enjoin the execution of and performance by DR Horton of its obligations under the DR Horton Mitigation Agreement,

(c) to restrain or enjoin the development of the Property as described in this Official Statement,

(d) in any way contesting or affecting the validity of the Special Taxes or the DR Horton Mitigation Agreement, or

(e) which, if successful, is reasonably likely to materially and adversely affect DR Horton’s ability to complete the development and sale of the Property as described in the Official Statement or to pay Special Taxes due at any time with respect to the portion of the Property then owned by DR Horton (to the extent the responsibility of DR Horton) prior to delinquency.

Special Tax and Assessment Delinquencies. It is likely that DR Horton and some of its Relevant Entities have been delinquent at one time or another in the payment of *ad valorem* property taxes, special assessments or special taxes. However, to the Actual Knowledge of DR Horton, neither DR Horton nor any Relevant Entity has been delinquent in any material extent in the last five years in the payment of special assessments or special taxes on property in California owned by DR Horton or by any such Relevant Entity during the period of its ownership included within the boundaries of a community facilities district or an assessment district within California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being filed against the delinquent Developer or a Relevant Entity in a court of law.

No Bankruptcy. DR Horton is able to pay its bills as they become due and no legal proceedings are pending against DR Horton (with proper service of process to DR Horton having been accomplished) or, to the Actual Knowledge of DR Horton threatened in writing in which DR Horton may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation (“FDIC”).

County of Riverside Civil Grand Jury Subpoena.

On or about March 19, 2019, DR Horton received a subpoena duces tecum from the 2018-19 Riverside County Grand Jury in the Superior Court of California, County of Riverside, addressed to “D.R. Horton,” ordering the production of certain documents pertaining to community facilities districts in the County in which DR Horton has participated, including acquisition agreements, development agreements and homeowner disclosure, among other documents. DR Horton supplied the responsive documents on April 22, 2019, and to date, no requests for additional information have been received. DR Horton does not know the nature of the investigation that the subpoena pertains to at this time other than that it is a civil (not criminal) investigation. DR Horton does not believe it is the target of the investigation and believes that one or more other homebuilders have received a similar subpoena. Further, DR Horton does not believe that complying with such subpoena will adversely impact the development of the property in the Community Facilities District.

[Remainder of Page Intentionally Left Blank]

KB Coastal

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

Founded in 1957, KB Home constructs and sells homes through its operating divisions under the name KB Home. KB Home’s ongoing principal operations are in eight states, including California, Arizona, Nevada, Colorado, Texas, Florida, North Carolina and Washington within 38 major markets. KB Home first developed homes in California in 1963. KB Home’s homebuilding operations offer a variety of homes designed primarily for first-time, move-up and active adult homebuyers, including attached and detached single-family homes, townhomes and condominiums. KB Home, including its subsidiaries, delivered approximately 10,909 units in the United States at an average selling price of \$397,400 during its fiscal year ended November 30, 2017, and delivered approximately 11,317 units in the United States at an average selling price of \$399,200 during its fiscal year ended November 30, 2018.

KB Coastal – Other Developments.

Other development projects currently under development by KB Coastal and its affiliates in the Riverside area include, but are not limited to, the following:

Site Name	Location	Average Base Selling Price ⁽¹⁾	Description	Est. No. of Homes at Completion	Est. Time Period of Development
Bella Cortina	Moreno Valley	\$385,590	SFD, 58 Closed	159	Q2 2017 to Q4 2020
The Cottages on 4 th	Murrieta	528,547	Det. Condos, 28 Closed	55	Q1 2018 to Q4 2019
Monterey at Spring Mountain Ranch	Riverside County	456,996	SFD, 114 Closed	156	Q1 2017 to Q4 2019
Stonecrest at The Cove (Tract 30035 only)	San Jacinto	306,490	SFD, 12 Closed	72	Q2 2018 to Q3 2020
Willowmore at Park Place	Ontario Ranch	474,213	SFD, 0 Closed	60	Q3 2018 to Q4 2019
Autumn Winds	Riverside County	345,132	SFD, 0 Closed	141	Q2 2018 to Q2 2021
Springtime At Harvest	Upland	546,880	SFD, 103 Closed	125	Q2 2016 to Q3 2019
Terramor (Tracts 36593, 36593-1)	Riverside County	472,490	SFD, 54 Closed	170	Q2 2017 to Q4 2020
Daybreak	Moreno Valley	433,418	SFD, 25 Closed	114	Q2 2017 to Q3 2020

⁽¹⁾ Based on development status as of April 5, 2019.

⁽²⁾ Project still in early development, with no models yet.

Source: KB Coastal.

KB Coastal Development Plan.

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

Background. The property being developed by KB Coastal within the Community Facilities District is encompassed within Final Tract Map No. 35161, which allows for 51 single-family detached lots. The 51 lots are known as “Alure.” The Alure project within the Community Facilities District consists of approximately 11.49 net acres of Taxable Property (approximately 19.35 gross acres) located southeast of the intersection of Thompson Road and Pourroy Road in the unincorporated County.

Development Status. The table below shows the ownership of the Taxable Property within the Alure project within the Community Facilities District, as of February 28, 2019, and footnote 2 of Table 10 indicates additional information regarding home closings, homes completed and homes under construction between February 28, 2019, and May 1, 2019.

**Table 10
Temecula Valley Unified School District
Community Facilities District No. 2018-1
Development Status
Alure by KB Coastal
(As of February 28, 2019)**

<i>Plan</i>	<i>Estimated Base Sales Prices ⁽¹⁾</i>	<i>Approx. Square Feet</i>	<i>Completed Homes Owned by Individuals ⁽²⁾</i>	<i>Completed</i>		<i>Near Finished Lots</i>		<i>Total</i>
				<i>Units (Not Closed) ⁽²⁾⁽³⁾</i>	<i>Units Under Construction</i>	<i>With Bldg. Permits ⁽⁴⁾</i>	<i>W/O Bldg. Permits ⁽⁴⁾</i>	
1	\$421,990	2,329	13	1	2	1	0	17
2	428,990	2,628	8	2	2	4	0	16
3	456,990	2,913	<u>13</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>18</u>
TOTAL:			34	4	6	6	1	51

⁽¹⁾ Base sales prices for the homes are subject to change at any time by KB Coastal. Base sales prices are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered.

⁽²⁾ Subsequent to February 28, 2019, through May 1, 2019, additional homes have closed escrow and have been completed, such that as of May 1, 2019, 38 homes are owned by individuals, 3 homes are completed and owned by KB Coastal, 7 homes are under construction, and 3 (three) lots are in a near-finished condition without any home construction thereon, one of which is currently being utilized in connection with the sales office.

⁽³⁾ Includes two homes currently used as model homes (a plan 1 and a plan 3) and two production homes (both plan 2).

⁽⁴⁾ Includes near-finished lots for which building permits have not been issued.

Source: KB Coastal.

The minimum lot size is 7,000 square feet and the average lot size is 9,800 square feet.

Entitlement Status. All discretionary entitlements required to complete the development and sales of homes in the Alure project within the Community Facilities District have been received, except as otherwise described in this Official Statement and except for approvals required in the normal course of development. As of February 28, 2019, 50 of 51 building permits have been issued.

Mitigation Measures. Based on a geotechnical evaluation of the Alure property within the Community Facilities District, mitigation measures were implemented and completed for grading, removal of an underground storage tank, and abandonment of existing irrigation wells as required.

KB Coastal has advised the Community Facilities District that it is not aware of any federally or State classified hazardous materials or any species currently listed as endangered located on any of its property in the Alure project within the Community Facilities District. See the caption “BONDOWNERS’ RISKS – Factors Affecting Parcel Values and Aggregate Value – *Hazardous Substances.*”

Home Development and Sales. KB Coastal currently anticipates that it will carry out home development activities on the property within the Alure project, and to sell completed homes to individual homeowners. The construction and sales schedule is set forth below.

No assurance can be given that future home construction will be carried out, or that KB Coastal’s construction and sale plans will not change after the date of this Official Statement.

[Remainder of Page Intentionally Left Blank]

Table 11
Temecula Valley Unified School District
Community Facilities District No. 2018-1

Construction and Sales Schedule
Alure by KB Coastal
(as of February 28, 2019)

Phase	No. of Units	Begin Home Construction ⁽¹⁾	First Home Closings	Last Home Sale Closings
Models	2	10/20/2017	TBD	TBD
1	4	2/2/2018	5/25/2018	6/14/2018
2	5	3/12/2018	6/11/2018	9/28/2018
3	4	3/30/2018	7/10/2018	9/25/2018
4	3	5/10/2018	8/15/2018	TBD
5	4	5/29/2018	9/4/2018	9/4/2018
6	2	5/31/2018	9/4/2018	1/25/2019
7	4	6/11/2018	9/12/2018	9/13/2018
8	2	6/21/2018	9/20/2018	9/20/2018
9	1	7/5/2018	11/21/2018	11/21/2018
10	3	8/16/2018	11/23/2018	TBD
11	4	11/5/2018	3/22/2019*	4/25/2019*
12	5	11/21/2018	3/22/2019*	4/5/2019*
13	2	12/12/2018	4/5/2019*	4/25/2019*
14	2	1/25/2019	5/29/2019*	TBD
15	1	2/25/2019	TBD	TBD
16	<u>3</u>	TBD	TBD	TBD
Total	51			

⁽¹⁾ Home construction does not necessarily commence immediately after issuance of a building permit. 50 building permits have been issued. One lot for which a building permit has not yet been issued is currently being utilized as parking for the two model homes.

* Projected.

Source: KB Coastal.

While the information set forth in this Official Statement reflects KB Coastal's current development expectations, no assurance can be given that final home construction and conveyance to individual home buyers will be carried out according to the schedule or plans described in this Official Statement.

KB Coastal Subdivision Map and Utilities.

Subdivision Map Status. All of the taxable property in the Alure project is being developed in accordance with Tract Map No. 35161, which was recorded with the County on March 6, 2018, as instrument number 2018-0082971.

Utilities. It is expected that utility services for the taxable property in the Alure project will be provided by the following:

Water:	Eastern Municipal Water District
Sanitary Sewer:	Eastern Municipal Water District
Stormwater Drainage:	Riverside County Flood Control and Water Conservation District
Electricity:	Southern California Edison
Gas:	Southern California Gas
Telephone:	Frontier Communications
Cable:	Spectrum

KB Coastal Financing Plan.

As of March 13, 2019, KB Coastal had expended approximately \$15.1 million in land acquisition and various site development and home construction costs, excluding marketing and sales costs, internal financing repayment, corporate overhead allocation and other carry costs related to its property in the Community Facilities District. KB Coastal estimates that it will require an additional \$1.3 million to complete its land development and home construction within the Community Facilities District. To date, KB Coastal has financed its land acquisition and various site development and sales and conveyance to individual homebuyers of the remaining homes proposed to be constructed and home construction costs related to its property in the Community Facilities District through home sales and internally generated funds. KB Coastal expects to use home sales and internal funding to complete its development within the Community Facilities District. However, many factors beyond KB Coastal's control, or a decision by KB Coastal to alter its current plans, may cause the actual sources and uses of funds to differ from the projections described in this Official Statement. Notwithstanding the foregoing, KB Coastal believes that it will have sufficient funds available to complete its proposed development in the Community Facilities District, commensurate with the development timing described in this Official Statement.

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

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

Neither KB Coastal nor its parent has a legal obligation to Bondowners to make any such funds available to fund the remaining development costs or to pay ad valorem property taxes or Special Taxes related to KB Coastal's property in the Community Facilities District. Many factors beyond KB Coastal's control, or a decision

by KB Coastal to alter its current plans, may cause the actual sources and uses to differ from the projections. See “BONDOWNERS’ RISKS” herein.

KB Coastal History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy.

In connection with the issuance of the 2019 Bonds, an authorized agent of KB Coastal will execute a certificate containing the following representations (among others). For purposes of these representations, the following terms have the following meanings:

- “**Property**” means the Taxable Property currently owned by KB Coastal within the Community Facilities District.

- “**Actual Knowledge of KB Coastal**” means the knowledge that the authorized agent of KB Coastal (the “**Authorized Agent**”) signing the applicable certificate containing the following representations (the “**Letter of Representations**”) currently has as of the date of the Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of KB Coastal and its Relevant Entities as the Authorized Agent has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Letter of Representations and/or (ii) review of documents that were reasonably available to the Authorized Agent and which the Authorized Agent has reasonably deemed necessary for the Authorized Agent to obtain knowledge of the matters set forth in the Letter of Representations. The Authorized Agent has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of KB Coastal’s current business and operations. Individuals who are no longer employees of KB Coastal or its Relevant Entities have not been contacted.

- “**Relevant Entity**” means, with respect to KB Coastal, any other Person: (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with KB Coastal, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of the Community Facilities District and investment decision regarding the 2019 Bonds (i.e., such Person’s assets or funds would materially affect KB Coastal’s ability to develop its Property as described in this Official Statement or to pay the Special Taxes due at any time with respect to the portion of the Property then owned by KB Coastal (to the extent the responsibility of KB Coastal) prior to delinquency.

- “**Person**” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes of the Letter of Representations, the term “control” (including the terms “controlling,” “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Breaches of Agreements. To the Actual Knowledge of KB Coastal, (a) KB Coastal and its Relevant Entities are not in breach of, or in default under, any applicable judgment or decree or any loan agreement, line of credit, option agreement, development agreement (including mitigation agreements or joint community facilities agreements), indenture, fiscal agent agreement, bond or note (collectively, the “**Material Agreements**”) to which KB Coastal or its Relevant Entities are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect KB Coastal’s ability to develop the Property as described in this Official Statement or to pay the Special Taxes due at any time with respect to the portion of the Property then owned by KB Coastal (to the extent the responsibility of KB Coastal) prior to delinquency and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default under any Material Agreement which could reasonably be

expected to materially and adversely affect the ability of KB Coastal to develop the Property as described in the Official Statement or to pay the Special Taxes due at any time with respect to the portion of the Property then owned by KB Coastal (to the extent the responsibility of KB Coastal) prior to delinquency.

No Litigation. No action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against KB Coastal (with proper service of process to KB Coastal having been accomplished), or, to the Actual Knowledge of KB Coastal, is pending against any current Relevant Entity (with proper service of process to such Relevant Entity having been accomplished), or, to the Actual Knowledge of KB Coastal, is threatened in writing against KB Coastal or any such Relevant Entity:

(a) to restrain or enjoin the collection of Special Taxes or other sums pledged or to be pledged to pay the principal of and interest on the 2019 Bonds (e.g., the Reserve Fund established under the Fiscal Agent Agreement),

(b) to restrain or enjoin the execution of and performance by KB Coastal of its obligations under the KB Coastal Mitigation Agreement,

(c) to restrain or enjoin the development of the Property as described in this Official Statement,

(d) in any way contesting or affecting the validity of the Special Taxes or the KB Coastal Mitigation Agreement, or

(e) which, if successful, is reasonably likely to materially and adversely affect KB Coastal's ability to complete the development and sale of the Property as described in the Official Statement or to pay Special Taxes due at any time with respect to the portion of the Property then owned by KB Coastal (to the extent the responsibility of KB Coastal) prior to delinquency.

Special Tax and Assessment Delinquencies. It is likely that KB Coastal and some of its Relevant Entities have been delinquent at one time or another in the payment of *ad valorem* property taxes, special assessments or special taxes. However, to the Actual Knowledge of KB Coastal, neither KB Coastal nor any Relevant Entity has been delinquent in any material extent in the last five years in the payment of special assessments or special taxes on property in California owned by KB Coastal or by any such Relevant Entity during the period of its ownership included within the boundaries of a community facilities district or an assessment district within California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being filed against the delinquent Developer or a Relevant Entity in a court of law.

No Bankruptcy. KB Coastal is able to pay its bills as they become due and no legal proceedings are pending against KB Coastal (with proper service of process to KB Coastal having been accomplished) or, to the Actual Knowledge of KB Coastal threatened in writing in which KB Coastal may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the FDIC.

County of Riverside Civil Grand Jury Subpoena.

During March 2019, KB Coastal received a subpoena duces tecum from the 2018-19 Riverside County Grand Jury in the Superior Court of California, County of Riverside, ordering the production of certain documents pertaining to community facilities districts in the County in which KB Coastal has participated, including

acquisition agreements, development agreements and homeowner disclosure, among other documents. KB Coastal does not know the nature of the investigation that the subpoena pertains to at this time other than that it is a civil (not criminal) investigation. KB Coastal does not believe it is the target of the investigation and believes that one or more other homebuilders have received a similar subpoena. Further, KB Coastal does not believe that complying with such subpoena will adversely impact the development of the property in the Community Facilities District.

[Remainder of Page Intentionally Left Blank]

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 2019 Bonds. The 2019 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 2019 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 2019 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 2019 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.

Concentration of Ownership

As of May 1, 2019, 77 homes are owned by individual homeowners, KB Coastal owned 13 completed homes (including 2 model homes), and 1 vacant lot used as a parking lot for the model homes, and DR Horton owned 7 completed homes (including 2 model homes), 5 homes under construction and 2 vacant lots being used as a parking lot for the model homes.

Based on the ownership status of the property within the Community Facilities District as of May 1, 2019, the Developers own 28 of the 105 lots within the Community Facilities District. Depending on the number of additional home closings and whether building permits are issued for the remaining 3 near finished lots, a portion of the Fiscal Year 2019-20 Special Tax levy may be payable by the Developers. See Table 3B in “COMMUNITY FACILITIES DISTRICT NO. 2018-1– Maximum and Actual Annual Special Taxes.”

Until the completion of the construction and sale of the remaining homes and construction and sale of homes on the undeveloped property to individual homeowners, the receipt of the Special Taxes is dependent in part on the willingness and the ability of each Developer to pay its Special Taxes when due. Failure of a Developer, or any successor(s), to pay its annual Special Taxes when due could result in a draw on the Reserve Fund, and potentially a default in payments of the principal of, and interest on, the 2019 Bonds, when due. No assurance can be given that each Developer, or its successors, will complete the remaining intended construction and development of its property in the Community Facilities District.

No assurance can be given that each Developer, or its successors, will pay Special Taxes for which it is responsible in the future or that it will be able to pay such Special Taxes on a timely basis. See “ – Bankruptcy and Foreclosure Delay” for a discussion of certain limitations on the Community Facilities District’s ability to pursue judicial proceedings with respect to delinquent parcels. See “SECURITY FOR THE BONDS – Special Taxes” and “PROPERTY OWNERSHIP AND DEVELOPMENT.”

Appraised Values; Assessed Values

The Appraisal Report attached hereto as APPENDIX C hereto estimates the market value (fee simple estate) of certain of the Taxable Property within the Community Facilities District. This value is merely the present opinion of the Appraiser, and is qualified by the Appraiser as stated in the Appraisal Report. The Community Facilities District has not sought the present opinion of any other appraiser of the value of the Taxable Property. A different present opinion of such value might be rendered by a different appraiser.

The opinion of value relates to a sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell nor to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that if any of the Taxable Property in the Community Facilities District should become delinquent in the payment of Special Taxes, and be foreclosed upon, that such property could be sold for the amount of estimated market value thereof contained in the Appraisal Report or for the assessed value thereof.

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. 2018-1 – 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 4A and Table 4B in the section entitled “COMMUNITY FACILITIES DISTRICT NO. 2018-1 – Value-to-Debt Ratios” set 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 values in the Appraisal Report, 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 FDIC, Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the Internal Revenue Service (“IRS”) 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” and “ – Concentration of Ownership” 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 2019 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 April 17, 2019, most areas of the State have experienced above normal levels of rainfall, with a number of areas having experienced through April 17, 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 their ability or willingness to pay Special Taxes.

Wildfires. In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can lead to the destruction of homes. 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 E – “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 Articles 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, the rate at which homes in the Community Facilities District are sold to end users by the Developers, 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 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 2019 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 2019 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 2019 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2019 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 2019 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 2019 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 2019 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 2019 Bonds will be made available to purchasers at the time of original delivery and is attached hereto as APPENDIX G. A copy of the legal opinion will be printed on each 2019 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 2019 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 2019 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 2019 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 2019 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 2019 Bonds.

In the further opinion of Bond Counsel, interest on the 2019 Bonds is exempt from State personal income taxation.

Owners of the 2019 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on the 2019 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 2019 Bonds other than as expressly described above.

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

Bond Counsel's engagement with respect to the 2019 Bonds ends with the issuance of the 2019 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 2019 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 selection of the 2019 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 2019 Bonds, and may cause the Community Facilities District, the School District, or the Beneficial Owners to incur significant expense.

[Remainder of Page Intentionally Left Blank]

Original Issue Discount; Premium Bonds

To the extent the issue price of any maturity of the 2019 Bonds is less than the amount to be paid at maturity of such 2019 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2019 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 2019 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 2019 Bonds is the first price at which a substantial amount of such maturity of the 2019 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 2019 Bonds accrues daily over the term to maturity of such 2019 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 2019 Bonds to determine taxable gain or loss upon disposition (including sale, redemption or payment on maturity) of such 2019 Bonds. Owners of the 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the 2019 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2019 Bonds in the original offering to the public at the first price at which a substantial amount of such 2019 Bonds is sold to the public.

The 2019 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 2019 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 2019 Bonds or in any way contesting or affecting the validity of the 2019 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 2019 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 2019 Bonds.

UNDERWRITING

The 2019 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated at a purchase price of \$2,401,693.00 (which represents the aggregate principal amount of the 2019 Bonds of \$2,195,000, plus a net original issue premium of \$249,495.50 and less an underwriter's discount of \$42,802.50).

The purchase agreement relating to the 2019 Bonds provides that the Underwriter will purchase all of the 2019 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 2019 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 2019 Bonds. The fees of Integra Realty Resources, as Appraiser, are not contingent upon the issuance of the 2019 Bonds. Disclosure Counsel has in the past worked as, and is currently working as, counsel to the Underwriter on matters unrelated to the 2019 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 2019 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. 2018-1 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. 2018-1 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**”). For Fiscal Year 2018-19, 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**”) for Fiscal Year 2018-19.

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 2010 THROUGH 2019

<u>Calendar Year</u>	<u>City of Temecula</u>	<u>County of Riverside</u>	<u>State of California</u>
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	109,393	2,321,837	38,952,462
2016	110,474	2,350,992	39,214,803
2017	112,170	2,384,660	39,504,609
2018	113,248	2,412,536	39,740,508
2019	113,826	2,440,124	39,927,315

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 113,826.

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 118,125.

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 2,440,124 as of January 1, 2019. The largest cities in the County are the cities of Riverside, Moreno Valley, Corona, Murrieta, Temecula, Jurupa Valley, 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.

[Remainder of Page Intentionally Left Blank]

The following table sets forth annual population figures as of January 1, 2019, for cities located within the County for each of the years listed.

COUNTY OF RIVERSIDE
Population Estimates

	2015	2016	2017	2018	2019
Banning	30,456	30,497	30,914	30,950	31,044
Beaumont	42,937	44,746	45,167	46,545	48,401
Blythe	18,889	19,338	19,356	19,651	19,428
Calimesa	8,421	8,487	8,805	9,080	9,159
Canyon Lake	10,953	11,021	11,138	11,213	11,285
Cathedral City	53,158	53,448	53,946	54,466	54,907
Coachella	44,291	44,836	45,537	45,777	46,351
Corona	161,299	162,819	165,427	167,013	168,101
Desert Hot Springs	28,315	28,564	28,645	29,102	29,251
Eastvale	60,833	62,912	64,683	65,725	66,078
Hemet	82,161	82,503	83,802	84,423	84,754
Indian Wells	5,228	5,307	5,342	5,389	5,445
Indio	84,539	85,583	87,033	88,194	89,406
Temecula	99,067	100,683	102,392	104,661	106,318
Lake Elsinore	58,768	60,760	61,433	62,241	62,949
La Quinta	40,105	40,269	41,029	41,753	42,098
Menifee	86,018	87,943	89,113	90,775	93,452
Moreno Valley	201,346	203,216	203,934	206,046	208,297
Murrieta	111,029	113,087	116,527	116,970	118,125
Norco	26,049	26,560	26,527	26,464	26,386
Palm Desert	51,675	51,768	52,705	53,298	53,625
Palm Springs	46,806	47,103	47,885	48,390	48,733
Perris	73,360	75,113	75,659	76,260	76,971
Rancho Mirage	17,999	18,221	18,223	18,297	18,489
Riverside	318,914	321,723	323,934	326,270	328,101
San Jacinto	46,199	46,778	47,053	47,607	48,878
Temecula	109,393	110,474	112,170	113,248	113,826
Wildomar	34,416	34,948	35,261	35,635	36,066
Balance of County	369,213	372,285	381,020	387,093	394,200
County Total	2,321,837	2,350,992	2,384,660	2,412,536	2,440,124

Source: State Department of Finance Estimates (as of January 1, 2019).

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.

Note: As of May 1, 2019, calendar year 2018 data is not yet available.

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 fiscal 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

Note: 2018 data will be available in June, 2019.

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

Note: 2018 data will be available in June, 2019.

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

Note: 2018 data will be available in June, 2019.

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	1,943	1,544,319	2,891	2,055,847
2010	2,051	1,626,792	3,039	2,180,304
2011	2,094	1,799,253	3,127	2,364,795
2012	2,174	1,961,289	3,231	2,535,380
2013	2,140	2,056,926	3,192	2,610,286
2014	2,297	2,196,194	3,347	2,771,629
2015	2,403	2,306,871	3,902	2,940,438
2016	2,442	2,366,626	3,995	3,208,193
2017	2,469	2,448,633	4,077	3,209,067

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

[Remainder of Page Intentionally Left Blank]

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
2017	1,623	1,302,470	2,782	1,522,245

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
2017	38,967	25,581,948	58,969	36,132,814

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 Geronio 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.

[Remainder of Page Intentionally Left Blank]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

**RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2018-1**

[THIS PAGE INTENTIONALLY LEFT BLANK]

RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2018-1

The Board of Trustees ("Board") of the Temecula Valley Unified School District ("School District"), acting as the Legislative Body of Community Facilities District No. 2018-1 of the Temecula Valley Unified School District ("CFD" or "District"), shall levy and collect Special Taxes (as defined below) applicable to each Assessor's Parcel (as defined below) 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

"Act" means the Mello-Roos Community Facilities District 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 School District on behalf of the CFD related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits or appropriate allocation thereof of any School 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.

"Annual Maximum Special Tax" or "Annual Maximum Special Taxes" means the Annual Maximum Special Tax – Developed 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 established in the Initial Fiscal Year based upon Table 1 and adjusted as described in the paragraph following Table 1. The Annual Maximum Special Tax – Developed Property for a Dwelling Unit is not subject to increase once established in the Initial Fiscal Year.

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

"Board" means the Board of Trustees of the Temecula Valley Unified School District.

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

"Building Square Footage" means for each Dwelling Unit the square footage determined by calculating all of the square footage within the perimeter of the Dwelling Unit (exclusive of garages, carports, overhangs or patios). For purposes of this determination, the District 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, except as authorized by statute.

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

"County" means the County of Riverside.

"Developed Property" means Assessor's Parcels for which a building permit for one or more Dwelling Units has been issued by the applicable agency on or before the March 1 prior to the Fiscal Year for which the Annual Maximum Special Tax - Developed Property is being levied on all or a portion thereof which are not Exempt Property and for which the Annual Maximum Special Tax - Developed Property obligation has not been fully prepaid and/or permanently satisfied. Assessor's Parcels, or portions thereof, 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 School District, the remaining undeveloped portion of the Assessor's Parcel will be classified as Undeveloped Property.

"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, townhome, an apartment unit, mobile home, or otherwise, but excludes therefrom hotels and motels.

"Exempt Property" means all Assessor's Parcels which are exempt from the levy of the Special Tax pursuant to law or Section 7, hereof.

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

"Index" means the Marshall and Swift Class "B" Wood Frame Construction Cost Index as shown in the index titled, "Current Building Cost Indexes, Western Division, Class B" for the month of November or such other index as the District shall determine if the Marshall and Swift Class "B" Wood Frame Construction Cost Index herein ceases publication. The Index shall be utilized as prescribed in Section 3 to calculate the increase in the Annual Maximum Special Taxes.

"Initial Fiscal Year" applies only to Developed Property and means the first Fiscal Year in which the Annual Maximum Special Tax - Developed Property will be levied.

"Occupied Residential Property" means all Assessor's Parcels of Residential Property which have closed escrow to an end user (homeowner) as opposed to the developer or builder of the Dwelling Unit.

"Residential Property" means all Developed Property within the CFD for which a building permit has been issued for constructing one or more Dwelling Units.

"School District" means the Temecula Valley Unified School District.

"School Facilities" include, but not by way of limitation the planning, engineering, design, acquisition, construction, lease and lease rental payments, expansion, improvement, relocation, rehabilitation, modernization and/or financing of interim and permanent facilities (including any debt and the cost to issue and sell such debt) to provide classrooms, multi-purpose, administration and auxiliary space for new or existing schools, central support and administrative facilities, special education facilities and transportation facilities inclusive of all land and land interests on or off site such as land required for construction or land required to be provided by the School District as mitigation for impacts, together with furniture, equipment, transportation including buses and vehicles and technology, needed by the School District in order to serve students as more particularly set forth in the District's Resolution of Intention to Establish Community Facilities District No. 2018-1,

"Special Tax" or "Special Taxes" means the special tax authorized to be levied in each Fiscal Year on each Assessor's Parcel, or portion thereof, of Developed Property pursuant to Section 3 and collected pursuant to Section 4 of this Rate and Method of Apportionment.

"Special Tax Requirement" means that amount required in any Fiscal Year, after taking into consideration available funds pursuant to the CFD Bond documents 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 directly for the acquisition and construction of School Facilities.

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

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

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

Section 2. Assignment to Land Use Classifications

The District shall classify all Assessor's 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 taxed as set forth in Table 1. For purposes of this determination, the District may rely on the Building Square Footage as identified on the building permit(s) issued by the applicable issuing agency.

Section 3. Annual Maximum Special Tax - Developed Property

The Annual Maximum Special Tax - Developed Property for each Assessor's Parcel or portion thereof classified as Developed Property shall be the amount determined by reference to Table 1 as applicable and the paragraphs that follow Table 1.

**Table 1
Annual Maximum Special Tax - Developed Property**

Fiscal Year	Annual Maximum Special Tax – Developed Property per Square Foot
2017/18	\$0.7898

In determining the Annual Maximum Special Tax applicable to an Assessor's Parcel of Developed Property in the Initial Fiscal Year, the Annual Maximum Special Tax – Developed Property shall be increased for the 2018/19 Fiscal Year, and each Fiscal Year thereafter by the greater of: (i) the annual percentage change in the Index determined on January 1, 2018 for the prior twelve (12) month period, and on each January 1st thereafter for the prior twelve (12) month period, or (ii) two percent (2%).

The Annual Maximum Special Tax – Developed Property for a Developed Property, or portion thereof, after the Initial Fiscal Year shall be fixed and no longer subject to any increases.

Section 4. Levy of the Special Tax

Commencing in Fiscal Year 2018/19, the Board shall levy the Annual Maximum Special Tax - Developed Property on each Assessor's Parcel, or portion thereof, which is classified as Developed Property.

Section 5. 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 for a Dwelling Unit for which a building permit is pending by notifying the School District in writing of such intention no less than ten (10) business days prior to requesting a certificate of compliance for such Dwelling Unit. The written notification shall include such owner's intent to partially prepay the Annual Maximum Special Tax - Developed Property, the date on which a certificate of compliance is expected to be requested for the Dwelling Unit, a copy of the final map and condominium plan, the lot and unit number(s) and Assessor's Parcel number(s) for which partial prepayment is being 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 Dwelling Units of a group for which certificates of compliance will be requested together, the above required information must be supplied for all Dwelling Units for which certificates of compliance will be requested. 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 can be described as: PP - the partial prepayment amount per Dwelling Unit. PVT - the present value of the current Annual Maximum Special Tax - Developed Property using a 5.0% discount rate, prior to the issuance of Bonds, and a term of 35 years. After the issuance of Bonds the discount rate used to calculate the present value will be based on the lesser of 5.0% or the Weighted Average Interest Rate on the Bonds. PCT - the partial prepayment percent. F - all prepayment fees, and RP - redemption premium on the Bonds, if applicable. The RP shall be calculated by multiplying the redemption premium as set forth in the Bond documents for a mandatory redemption of the Bonds, or other such category for which prepayment is identified, as of the prepayment date by the PVT and then multiplied by the PCT. The partial prepayment percent shall be indicated in the notification described above.

An example of the partial prepayment Dwelling Unit during Fiscal Year 2017/18 is as follows. This is only an example.

Partial Prepayment Example

Formula	PP = (PVT	X PCT)	+ F	+ RP
Example	PP = ((\$1,559.07 x 16.37)	X 50%)	+ \$850.00	+ (0.03 x (PVT x PCT))
	PP = (\$25,528.52	X 0.5)	+ \$850.00	+ (0.03 x (PVT x PCT))
	PP = \$12,764.26		+ \$850.00	+ (0.03 x \$12,764.26)
	PP = \$12,764.26		+ \$850.00	+ \$382.93
	PP = \$13,997.19			

The CFD 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 due prior to the issuance of the certificate of compliance for the Dwelling Unit.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of the Annual Maximum Special Tax that may be levied on all Taxable Property within the CFD both prior to and after the proposed partial prepayment less annual Administrative Expenses is at least 1.1 times the annual debt service on the outstanding Bonds.

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

The owner of a Dwelling Unit 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:

Prepayment Formula: $P = PVT + F + RP$

The variables are described as: P - the prepayment amount, PVT - the present value of taxes, F - all prepayment fees, and RP - 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 Dwelling Unit in each remaining Fiscal Year that such 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 a discount rate of 5.0% prior to the issuance of Bonds. After the issuance of Bonds the discount rate used to calculate the present value will be based on the lesser of 5.0% or the Weighted Average Interest Rate 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 Dwelling Unit 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 School District with the prepayment.

Prepayment fees or F means the fees of the School District, the fiscal agent and any consultants retained by the School 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 documents for a mandatory redemption, or other such category for which prepayment is identified, of the Bonds as of the prepayment date. The RP shall be calculated by multiplying such redemption premium as of the prepayment date by the PVT.

The CFD administrator shall provide the owner with a statement of the amount required for the 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. 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 owing on the Dwelling Unit for which prepayment is being made, if any, to the County of Riverside.

Notwithstanding the foregoing, no full prepayment shall be allowed unless the amount of the Annual Maximum Special Tax that may be levied on all Taxable Property within the CFD both prior to and after the proposed prepayment less annual Administrative Expenses is at least 1.1 times the annual debt service on the outstanding Bonds.

Section 7. Exemptions

The Board shall not levy any Special Taxes on: 1) 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, private streets, school, parks, and deeded open space lots; 2) 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; 3) Assessor's Parcels, or portions thereof, developed as commercial or industrial property; 4) Assessor's Parcels, or portions thereof, developed as age-restricted Dwelling Units; and 5) Assessor's Parcels for which the Annual Maximum Special Tax has been fully discharged, as determined pursuant to Section 6. Although exempt from the levy of any Special Taxes as Developed Property, commercial property, industrial property, and age-restricted Dwelling Units are subject to the payment of applicable statutory school fees

Section 8. Manner of Collection

The Special Tax will be collected in the same manner and at the same time as ordinary ad valorem real property taxes. The Special Tax 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 Special Tax shall otherwise be subject to the provisions of the Act. The Board reserves the power to provide for alternative means of collection of Special Tax as permitted by the Act.

Section 9. Term of the Special Taxes

The term of the payment of the Annual Maximum Special Tax – Developed Property shall be determined on a Dwelling Unit by Dwelling Unit basis and shall be levied for a period not to exceed thirty-five (35) years as Developed Property.

Section 10. Excess Annual Maximum Special Tax – Developed Property

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

Section 11. Review/Appeals Panel

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

APPENDIX D
APPRAISAL REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

Appraisal of Real Property

Temecula Valley USD CFD No. 2018-1

Thompson Rd. (Alure) & Mira Loma Dr. (Indigo Place)
Winchester (Alure) & Temecula (Indigo Place)
Riverside County, California 92596 & 92592

Prepared For:

Temecula Valley Unified School District

Effective Date of the Appraisal:

February 28, 2019

Report Format:

Appraisal Report – Standard Format

IRR - San Francisco

File Number: 192-2019-0020





Temecula Valley USD CFD No. 2018-1
Thompson Rd. (Alure) & Mira Loma Dr. (Indigo Place)
Winchester (Alure) & Temecula (Indigo Place), California



April 2, 2019

Ms. Lori Ordway-Peck
Assistant Superintendent
Temecula Valley Unified School District
31550 Rancho Vista Road
Temecula, CA 92592

SUBJECT: Market Value Appraisal
Temecula Valley USD CFD No. 2018-1
Thompson Rd. (Alure) & Mira Loma Dr. (Indigo Place)
Winchester (Alure) & Temecula (Indigo Place)
Riverside County, California 92596 & 92592
IRR - San Francisco File No. 192-2019-0020

Dear Ms. Ordway-Peck:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal of the referenced property. The purpose of this Appraisal Report is to develop an opinion of the market value of the fee simple interest in the developed and undeveloped properties within the boundaries of Community Facilities District No. 2018-1 of the Temecula Valley Unified School District (“CFD No. 2018-1”), under the assumptions and limiting conditions contained in this Appraisal Report. The client for the assignment is the Temecula Valley Unified School District, and the intended use is for bond underwriting purposes. The appraisers understand and agree that this Appraisal Report is expected to be, and may be, utilized by the Temecula Valley Unified School District and CFD No. 2018-1 in the marketing of the Special Tax Bonds of CFD No. 2018-1 (“Bonds”) and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject property comprises two non-contiguous single-family residential subdivisions. One is a 51-lot single-family residential subdivision, identified as Alure (KB Home), which is located in an unincorporated area of Riverside County. The property is zoned SP, Specific Plan, MDR - Medium Density Residential, which permits single-family residential development. The second is a 54-lot single-family residential subdivision, identified as Indigo

Place (DR Horton), which is located in the City of Temecula and is zoned PDO-11, Mira Loma Planned Development Overlay - medium density residential.

Of the 51 lots comprising the Alure by KB Home subdivision, 34 homes have been completed and sold (closed escrow) to individual homeowners, seven homes, including two model homes, are complete and either sold (in escrow) or available for sale, with ten improved lots or lots with homes under construction (no contributory value is assigned to the partially completed homes). Of the 54 lots comprising the Indigo Place by DR Horton subdivision, 35 homes have been completed and sold (closed escrow) to individual homeowners, 17 homes, including two model homes, are complete and either sold (in escrow) or available for sale, with two remaining improved lots.

This Appraisal Report is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of the Temecula Valley Unified School District. The appraisal is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

We have been requested to provide the market value of the appraised properties by ownership and Assessor's parcel, as well as a cumulative, or aggregate, value of the properties, as of the date of inspection (value). The market value of the appraised properties, by ownership, as well as the cumulative, or aggregate, value of the properties in CFD No. 2018-1 account for the impact of the Lien of the Special Tax securing the repayment of the Bonds.

As a result of the analysis herein, the cumulative, or aggregate, value, in accordance with the assumptions and conditions expressed in the attached report, as of February 28, 2019, is presented in the table on the following page.



Final Value Conclusions					
Component	Value Premise	Value per Parcel	No. of Parcels	Market Value	Aggregate Value
Alure by KB Home					
KB Home Coastal Inc.	Market Value per Completed Home*	\$424,000	7	\$2,968,000	
	Market Value - Improved Lot	\$160,000	10	\$1,600,000	
Individual Homeowners	Market Value per Completed Home*	\$424,000	<u>34</u>	\$14,416,000	
			51		\$18,984,000
Indigo Place by DR Horton					
Western Pacific Housing, Inc.	Market Value per Completed Home*	\$391,000	17	\$6,647,000	
	Market Value - Improved Lot	\$160,000	2	\$320,000	
Individual Homeowners	Market Value per Completed Home*	\$391,000	<u>35</u>	\$13,685,000	
			<u>54</u>		<u>\$20,652,000</u>
Total Cumulative, or Aggregate, Value of Appraised Properties in the District			105		\$39,636,000

* Not-less-than value based on the smallest floor plan constructed within the subdivision

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. The market values estimated herein are based on the hypothetical condition certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The estimate of market value accounts for the impact of the Lien for the Special Taxes securing the repayment of the Bonds.

The estimates of value above represent a “not-less-than” value due to the fact we were requested to provide the market value of the smallest floor plan (by project) on each single-family residential lot improved with a completed home.

Any properties within CFD No. 2018-1 not subject to the Lien of the Special tax securing the Bonds (public and quasi-public land use sites) are not a part of this Appraisal Report.

Please note the aggregate of the appraised values cited above **is not** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the “total of multiple market value conclusions.” For purposes of this Appraisal Report, market value is estimated by ownership. Further, the estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of CFD No. 2018-1 are not marketed concurrently, which would suggest a market under duress.



Ms. Lori Ordway-Peck
Temecula Valley Unified School District
April 2, 2019
Page 4

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - SAN FRANCISCO



Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558
Telephone: 916-435-3883, ext. 228
Email: esegal@irr.com



Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567
Telephone: 916-435-3883, ext. 224
Email: kziegenmeyer@irr.com



Table of Contents

Summary of Salient Facts and Conclusions	1	Property Analysis	24
General Information	2	Land Description and Analysis	24
Identification of Subject	2	Proposed Improvements Description	31
Sale History	2	Real Estate Taxes	42
Purpose of the Appraisal	3	Highest and Best Use	43
Definition of Market Value	3	Valuation	45
Definition of Property Rights Appraised	3	Valuation Methodology	45
Intended Use and User	4	Market Valuation – Floor Plans	46
Applicable Requirements	4	Improved Lot Valuation – Extraction Analysis	53
Report Format	4	Conclusion of Value	57
Prior Services	4	Exposure Time	57
Scope of Work	4	Marketing Time	58
Economic Analysis	6	Certification	59
Area Analysis – Riverside County	6	Assumptions and Limiting Conditions	61
Introduction	6	Addenda	
Population	6	A. Appraiser Qualifications	
Employment & Economy	7	B. Definitions	
Household Income	8	C. Value by Parcel	
Transportation	9		
Recreation & Culture	9		
Conclusion	10		
Surrounding Area Analysis	12		
Residential Market Analysis	16		



Summary of Salient Facts and Conclusions

Property Name	Temecula Valley USD CFD No. 2018-1
Address	Thompson Rd. (Alure) & Mira Loma Dr. (Indigo Place) Winchester (Alure) & Temecula (Indigo Place), Riverside
Property Type	Land - Residential Subdivision
Owner of Record	KB HOME Coastal Inc., a California corporation WESTERN PACIFIC HOUSING, INC., a Delaware corporation
Tax ID	964-010-001 and 944-060-006
Land Area	26.59 acres; 1,158,260 SF
Zoning Designation	SP, Specific Plan, MDR - Medium Density Residential
Effective Date of the Appraisal	February 28, 2019
Date of the Report	April 2, 2019
Property Interest Appraised	Fee Simple

Final Value Conclusions

Component	Value Premise	Value per Parcel	No. of Parcels	Market Value	Aggregate Value
Alure by KB Home					
KB Home Coastal Inc.	Market Value per Completed Home*	\$424,000	7	\$2,968,000	
	Market Value - Improved Lot	\$160,000	10	\$1,600,000	
Individual Homeowners	Market Value per Completed Home*	\$424,000	<u>34</u>	\$14,416,000	
			51		\$18,984,000
Indigo Place by DR Horton					
Western Pacific Housing, Inc.	Market Value per Completed Home*	\$391,000	17	\$6,647,000	
	Market Value - Improved Lot	\$160,000	2	\$320,000	
Individual Homeowners	Market Value per Completed Home*	\$391,000	<u>35</u>	\$13,685,000	
			<u>54</u>		<u>\$20,652,000</u>
Total Cumulative, or Aggregate, Value of Appraised Properties in the District			105		<u>\$39,636,000</u>

* Not-less-than value based on the smallest floor plan constructed within the subdivision

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

- The market values estimated herein are based on the hypothetical condition certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The estimate of market value accounts for the impact of the Lien for the Special Taxes securing the repayment of the Bonds.

General Information

Identification of Subject

The subject property comprises two non-contiguous single-family residential subdivisions. One is a 51-lot single-family residential subdivision, identified as Alure (KB Home), which is located in an unincorporated area of Riverside County. The property is zoned SP, Specific Plan, MDR - Medium Density Residential, which permits single-family residential development. The second is a 54-lot single-family residential subdivision, identified as Indigo Place (DR Horton), which is located in the City of Temecula and is zoned PDO-11, Mira Loma Planned Development Overlay - medium density residential. A legal description of the property is in the addenda to this Appraisal Report.

Property Identification

Property Name	Temecula Valley USD CFD No. 2018-1
Address	Thompson Rd. (Alure) & Mira Loma Dr. (Indigo Place) Winchester (Alure) & Temecula (Indigo Place), California 92596 & 92592
Tax ID	964-010-001 and 944-060-006
Owner of Record	KB HOME Coastal Inc., a California corporation WESTERN PACIFIC HOUSING, INC., a Delaware corporation

Of the 51 lots comprising the Alure by KB Home subdivision, 34 homes have been completed and sold (closed escrow) to individual homeowners, seven homes, including two model homes, are complete and either sold (in escrow) or available for sale, with ten improved lots or lots with homes under construction (no contributory value is assigned to the partially completed homes). Of the 54 lots comprising the Indigo Place by DR Horton subdivision, 35 homes have been completed and sold (closed escrow) to individual homeowners, 17 homes, including two model homes, are complete and either sold (in escrow) or available for sale, with two remaining improved lots.

Sale History

The most recent closed sale of the subject is summarized as follows:

	Sale 1	Sale 2
Sale Date	January 6, 2017	September 20, 2017
Seller	Mira Loma Recovery LLC	Javin Investments Sp. Z. o.o.
Buyer	WESTERN PACIFIC HOUSING, INC., a Delaware corporation	KB HOME Coastal Inc., a California corporation
Sale Price	\$2,616,000	\$2,150,000
Recording Instrument Number	82920	389569
Condition at Time of Sale	54 Unimproved Lots	51 Unimproved Lots

The sale prices are generally consistent with market value at the time of sale, based on the condition of the properties. To the best of our knowledge, no other sale or transfer of ownership, in bulk, has occurred within the past three years. As will be described herein, the appraised properties are,

however, being marketed by each respective merchant builder with single-family homes to individual homeowners.

Purpose of the Appraisal

The purpose of this Appraisal Report is to develop an opinion of the market value of the fee simple interest in the property as of the effective date of the appraisal, February 28, 2019, by ownership and Assessor's parcel, and the cumulative, or aggregate, value of the appraised properties comprising CFD No. 2018-1, subject to the hypothetical condition certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The date of the report is April 2, 2019. This Appraisal Report is valid only as of the stated effective date or dates. The estimate of market value accounts for the impact of the Lien for the Special Taxes of CFD No. 2018-1 securing the repayment of the Bonds.

Definition of Market Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Property Rights Appraised

Fee simple estate is defined as, "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The intended use of the appraisal is for bond underwriting. The client and intended user are Temecula Valley Unified School District and CFD No. 2018-1. This Appraisal Report is not intended for any other use or user. No party or parties other than Temecula Valley Unified School District and CFD No. 2018-1 may use or rely on the information, opinions, and conclusions contained in this Report. The Appraisal Report will be included in the Preliminary Official Statement and the Official Statement used to market the Bonds. The Appraisal Report will also be used to make certain determinations on behalf of CFD No. 2018-1 to satisfy issuance conditions with respect to the Bonds.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;
- Appraisal Standards for Land Secured Financing (CDIAC)(2004).

Report Format

This Appraisal Report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Applicable	Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

We use only the sales comparison approach in developing an opinion of value for the subject's completed single-family homes. This approach is applicable to the subject because there is an active market for similar properties, and sufficient sales data is available for analysis.

The extraction technique, or static land residual analysis, which analyzes the costs to construct a representative home on a subject lot, which utilizes elements of the cost approach, is utilized in the estimate of market value for the remaining improved lots within each project. The income approach is not applicable because the subject is not likely to generate rental income in its current state.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the Report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

The Appraisal Report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) for Mass Appraisals, inasmuch this Appraisal Report does not provide a discussion of the sales history for each parcel appraised herein during the past three years. The scope of work outlined in this Appraisal Report is based on the specific intended use of this Appraisal Report. As will be shown and detailed herein, the appraised properties have been the subject of previous, recent and pending transactions as either improved single-family residential lots or completed single-family homes currently being marketed for sale by KB Home (Alure) and DR Horton (Indigo Place).

Inspection

Eric Segal, MAI, conducted an on-site inspection of the property on February 28, 2019. Kevin Ziegenmeyer, MAI, has not made an on-site inspection of the subject property.

Economic Analysis

Area Analysis – Riverside County

Introduction

Riverside County is part of a region known as the Inland Empire of southern California, southeast of Los Angeles. The county is bordered by San Bernardino County to the north, Orange County to the west, San Diego and Imperial counties to the south, and the state of Arizona to the east. Major cities in the county include Riverside, Moreno Valley, Corona, Murrieta and Temecula. In general, Riverside County is one of California’s fastest growing metropolitan areas. Many new residents are coming from the more expensive metropolitan areas of Los Angeles and San Diego.

Population

The county has a population of over 2.4 million and has grown at a rate of 1.3% per year for the past five years. The following table illustrates recent population trends for Riverside County.

Population Trends							
City	2013	2014	2015	2016	2017	2018	%/Yr (5-year)
Banning	30,380	30,549	30,746	30,967	31,170	31,282	0.6%
Beaumont	40,701	41,920	43,906	45,617	46,730	48,237	3.7%
Blythe	19,382	18,737	18,522	19,008	19,027	19,389	0.0%
Calimesa	7,936	8,036	8,114	8,212	8,567	8,876	2.4%
Canyon Lake	10,617	10,652	10,673	10,728	10,882	11,018	0.8%
Cathedral City	52,743	53,031	53,390	53,842	54,296	54,791	0.8%
Coachella	43,210	44,101	44,486	44,940	45,273	45,635	1.1%
Corona	158,489	160,955	162,396	163,341	166,819	168,574	1.3%
Desert Hot Springs	28,363	28,591	28,900	29,252	29,347	29,742	1.0%
Eastvale	56,928	58,790	59,930	62,147	63,720	64,855	2.8%
Hemet	79,773	80,196	80,439	80,997	82,417	83,166	0.9%
Indian Wells	5,223	5,295	5,407	5,512	5,549	5,574	1.3%
Indio	81,441	82,419	84,009	85,233	86,632	87,883	1.6%
Jurupa Valley	97,808	98,420	99,742	101,412	103,661	106,054	1.7%
Lake Elsinore	56,124	57,488	59,404	61,422	62,487	63,365	2.6%
La Quinta	38,430	38,991	39,323	39,899	40,605	41,204	1.4%
Menifee	82,476	83,968	85,801	87,608	89,552	91,902	2.3%
Moreno Valley	198,479	199,752	201,387	202,621	204,285	207,629	0.9%
Murrieta	106,299	107,254	109,408	110,166	111,793	113,541	1.4%
Norco	27,033	27,006	26,198	26,727	26,799	26,761	-0.2%
Palm Desert	50,014	50,414	50,683	51,250	52,058	52,769	1.1%
Palm Springs	45,463	45,847	46,099	46,534	47,157	47,706	1.0%
Perris	72,002	73,351	74,866	76,070	77,311	77,837	1.6%
Rancho Mirage	17,967	18,076	18,201	18,369	18,579	18,738	0.9%
Riverside	312,973	315,129	317,890	320,226	323,190	325,860	0.8%
San Jacinto	45,627	46,014	46,462	47,085	47,560	48,146	1.1%
Temecula	105,359	106,749	109,144	110,536	112,040	113,181	1.5%
Wildomar	33,534	34,136	34,751	35,270	35,882	36,287	1.6%
Unincorporated	361,015	365,395	367,618	371,726	379,252	385,953	1.4%
Total	2,265,789	2,291,262	2,317,895	2,346,717	2,382,640	2,415,955	1.3%

Source: California Department of Finance

Riverside is the fourth most populous county in California, following Los Angeles, San Diego and Orange Counties. The majority of residents live within incorporated areas, the largest of which is the city of Riverside, with a population of just over 325,000. The population in the region is expected to continue to grow; according to the California Department of Finance, the population in Riverside County is projected to increase to nearly 2.9 million by 2030 and 3.4 million by 2050.

Employment & Economy

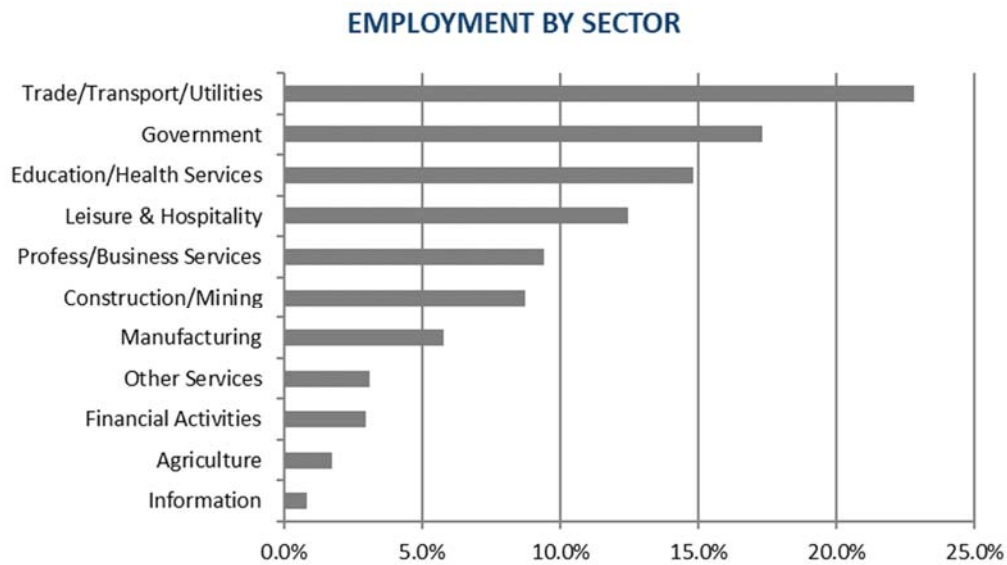
The California Employment Development Department has reported the following employment data for Riverside County over the past few years.

Employment Trends						
	2012	2013	2014	2015	2016	2017
Labor Force	987,100	996,400	1,013,500	1,035,700	1,052,600	1,073,800
Employment	872,300	897,700	930,400	966,300	988,200	1,017,600
Job Growth	22,700	25,400	32,700	35,900	21,900	29,400
Unemployment Rate	11.6%	9.9%	8.2%	6.7%	6.1%	5.2%

Source: California Employment Development Department

The unemployment rate in Riverside County was 4.1% in November 2018, which is slightly higher than the unemployment rates for California (3.9%) and the U.S. (3.5%). Most areas within the state and nation, including Riverside County, saw declining unemployment rates from 2004 through 2006, increases from 2007 to 2010, and declines from 2011-2018.

Riverside County has a diverse economy, with the majority of its employment distributed among several sectors of industry, as opposed to one or two key sectors. The following chart indicates the percentage of total employment for each sector within the county as of December 2017.



Source: California Employment Development Department



As illustrated in the preceding chart, the region’s largest employment sectors are Trade/Transportation/Utilities, which includes wholesale and retail trade; Government; Educational and Health Services; and Leisure and Hospitality. The region’s largest employers are listed in the following table.

Top Employers - Riverside County

Employer	Location	Description	No. of Employees
County of Riverside	Countywide	County Government	22,038
March Air Reserve Base	March ARB	Military Reserve Base	9,000
University of California, Riverside	Riverside	University	8,829
Kaiser Permanente Riverside Medical Center	Riverside	Hospital	5,500
Corona-Norco Unified School District	Corona	School District	5,478
Pechanga Resort & Casino	Temecula	Resort/Casino	4,750
Riverside Unified School District	Riverside	School District	4,200
Hemet Unified School District	Hemet	School District	4,058
Riverside University Health System Medical Center	Moreno Valley	Hospital	3,965
Morongo Casino, Resort & Spa	Cabazon	Resort/Casino	3,800
Eisenhower Medical Center	Rancho Mirage	Hospital	3,700
Moreno Valley Unified School District	Moreno Valley	School District	3,561
Palm Springs Unified School District	Palm Springs	School District	3,123
Temecula Valley Unified School District	Temecula	School District	3,000
Desert Sands Unified School District	La Quinta	School District	2,677
Lake Elsinore Unified School District	Lake Elsinore	School District	2,634
City of Riverside	Riverside	City Government	2,500
Riverside Community College District	Riverside	Community College District	2,315
JW Marriott Desert Springs Resort & Spa	Palm Desert	Resort & Spa	2,311
Agua Caliente Band of Cahuilla Indians	Palm Springs	Tribal Government / Casinos	2,289
Desert Regional Medical Center	Palm Springs	Hospital	2,237
Jurupa Unified School District	Jurupa Valley	School District	2,233
Murrieta Valley Unified School District	Murrieta	School District	2,230
Riverside Community Hospital	Riverside	Hospital	2,200
Abbot Vascular	Temecula	Medical/Surgical Instruments	2,000
Coachella Valley Unified School District	Thermal	School District	2,000
Alvord Unified School District	Riverside	School District	1,915
Riverside County Office of Education	Riverside	Education	1,734
Naval Surface Warfare Center	Norco	Naval Weapons Research	1,570
Mt. San Jacinto College	San Jacinto	Community College District	1,466
La Quinta Resort & Club	La Quinta	Resort	1,450
Corona Regional Medical Center	Corona	Hospital	1,113
Fantasy Springs Resort Casino	Indio	Resort Casino	1,100
Ironwood State Prison	Blythe	Level I and III Prison	1,055
California Rehabilitation Center	Norco	Level II Prison	1,013

Source: Riverside County Economic Development Agency

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The U.S. Census Bureau estimates a median household income of \$60,807 for Riverside County in the year 2017 (most recent data available), which was lower than the state of California’s median income of \$67,169.

Transportation

Access to and through Riverside County is provided by several major routes, including Interstates 10, 15 and 215, as well as State Routes 60, 62, 74, 79, 86, 91, 111 and 243. Interstate 10 is the primary east-west connector while Interstates 15 and 215 are the primary north-south connecting highways. The 91 Freeway is a major transportation arterial from the Inland Empire to Orange County via the 55 Freeway.

Interstate 10 is a major east-west route in Southern California, connecting the Pacific coast (Santa Monica) with the Arizona state line before traveling further east through the southern portion of Arizona, New Mexico, Texas, Louisiana, Mississippi, Alabama, and terminating in Jacksonville, Florida. Interstate 10 links the major California cities of Santa Monica, Los Angeles, Ontario, Beaumont, Palm Springs, Indio and Blythe.

As a primary east-west connector, Interstate 15 connects the counties of San Bernardino, Riverside and San Diego. The route extends north through Nevada, Arizona, Utah, Idaho and Montana to the Canadian border. Interstate 15 is a major thoroughfare for traffic between San Diego and the Inland Empire, as well as between Southern California and Las Vegas, Nevada. Interstate 215 comprises approximately 55 miles of interstate highway in the Inland Empire. The southern terminus of Interstate 215 is at the junction of Interstate 15 in Murrieta in south Riverside County and travels through Perris before joining the 60 Freeway in Moreno Valley. This interstate is considered an alternative to Interstate 15 for travel between Phoenix, Las Vegas, San Bernardino and the San Diego area.

Public transportation is provided by various agencies. Riverside Transit Agency serves the western third of Riverside County, SunLine Transit Agency serves Palm Springs and the Coachella Valley area, Palo Verde Valley Transit Agency serves Blythe near the Arizona border, Pass Transit serves the San Geronio Pass communities, and Corona Cruiser serves the community of Corona. In addition, Riverside County is also served by Greyhound buses and Amtrak passenger trains.

The county's main airport is the Palm Springs International Airport. This two-runway airport is located about two miles east of downtown Palm Springs and is highly seasonal, with most flights operating during the winter.

Recreation & Culture

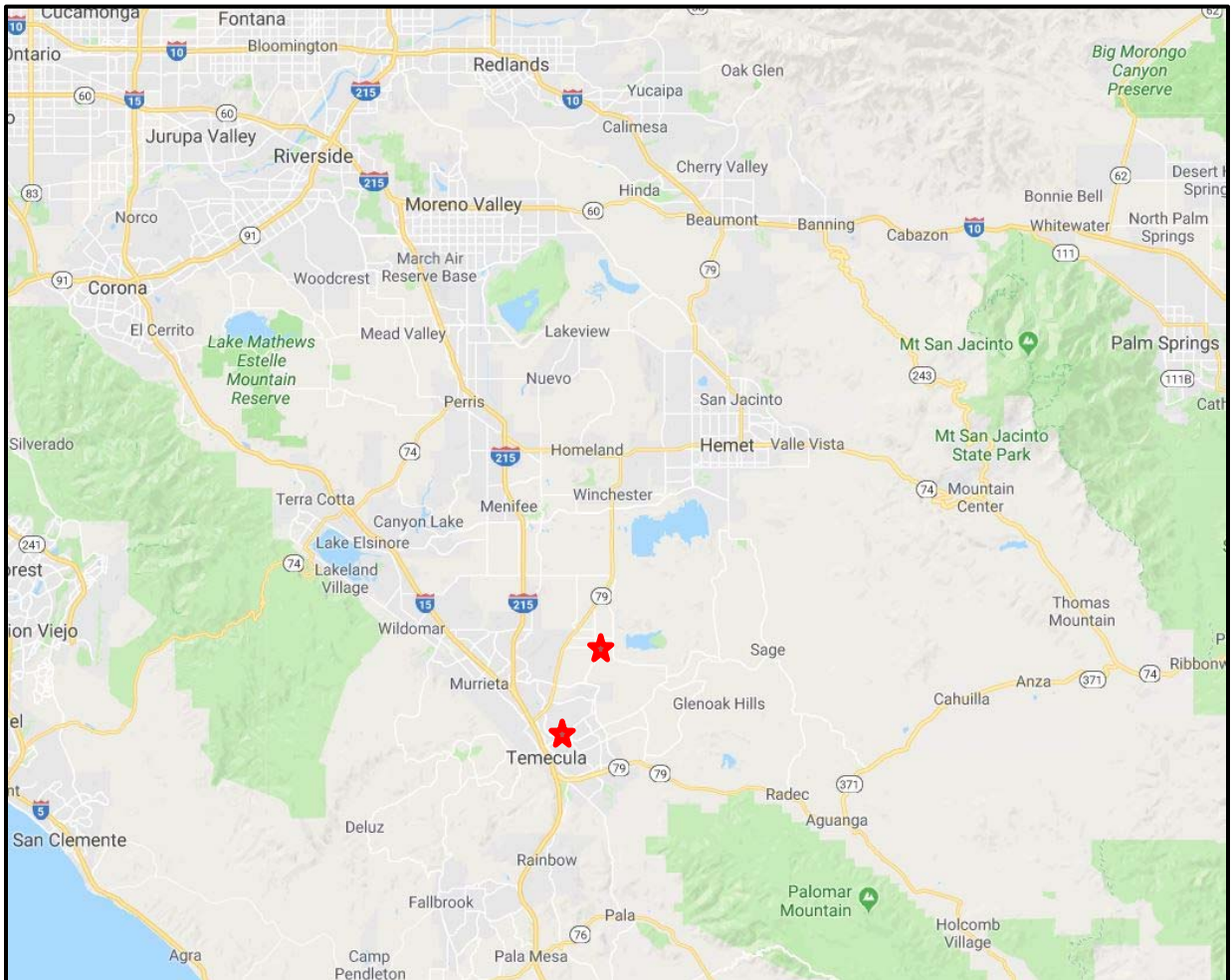
Riverside County offers innumerable recreational and cultural opportunities, including many public parks, schools, golf courses, museums and performing arts venues. Popular attractions include the Botanical Gardens at the University of California, Riverside; the historic Mission Inn in downtown Riverside; March Field Air Museum, an aviation museum near Moreno Valley and Riverside, adjacent to the March Air Reserve Base; Temecula Valley, a tourist destination in the southern part of the county with numerous wineries, wine tasting rooms, bed and breakfast inns and wedding venues; and Castle Park, an amusement park. Annual events in the county include the Festival of Lights in Riverside, known for its display of nearly three million Christmas lights; Ghost Walk Riverside; Temecula Valley Balloon and Wine Festival; and Harvest Wine Celebration.

Riverside County is home to multiple higher education institutions including, but not limited to, the University of California Riverside, California Baptist University, California Southern Law School, California State University San Bernardino and Mt. San Jacinto College.

Conclusion

In general, Riverside County is one of the fastest growing areas in the state. Many new residents are coming from the more expensive metropolitan areas of Los Angeles and San Diego. The region offers diverse employment opportunities, numerous colleges and universities, extensive transportation routes, shopping centers, public services and recreational activities. Like most of the state and nation, the county experienced rising unemployment and real estate market declines during the period of roughly 2007-2010. However, employment conditions have been improving since 2011 and most real estate sectors are showing signs of recovery or expansion. As the economy continues to improve, the long-term outlook for the region is good.

Area Map



Surrounding Area Analysis

Introduction

This section of the Appraisal Report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as “a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.”

Neighborhood Boundaries

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject property (Alure) is located within an unincorporated area of Riverside County, in what is known as the French Valley area, and the northern portion of the city of Temecula (Indigo Place). The neighborhood boundaries can generally be described as Keller Road to the north, Highway 79/Temecula Parkway to the south, Washington Street to the east and Interstate 215 to the west.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics						
2019 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	92592 (Temecula, CA)	92596 (Winchester, CA)	Riverside County
Population 2010	13,117	34,892	97,824	93,430	21,725	2,189,641
Population 2019	16,012	44,915	118,530	112,900	27,242	2,455,509
Population 2024	17,351	48,604	126,984	121,474	29,570	2,587,428
Compound % Change 2010-2019	2.2%	2.8%	2.2%	2.1%	2.5%	1.3%
Compound % Change 2019-2024	1.6%	1.6%	1.4%	1.5%	1.7%	1.1%
Households 2010	3,778	9,332	28,799	28,364	6,187	686,260
Households 2019	4,387	11,740	33,825	33,223	7,496	759,595
Households 2024	4,697	12,638	35,973	35,490	8,072	797,459
Compound % Change 2010-2019	1.7%	2.6%	1.8%	1.8%	2.2%	1.1%
Compound % Change 2019-2024	1.4%	1.5%	1.2%	1.3%	1.5%	1.0%
Median Household Income 2019	\$104,809	\$107,476	\$96,204	\$105,381	\$103,206	\$65,414
Average Household Size	3.7	3.7	3.5	3.4	3.6	6.4
College Graduate %	28%	31%	29%	32%	27%	21%
Median Age	32	32	34	35	33	36
Owner Occupied %	81%	81%	76%	79%	81%	68%
Renter Occupied %	19%	19%	24%	21%	19%	32%
Median Owner Occupied Housing Value	\$407,752	\$426,542	\$422,824	\$457,738	\$410,868	\$366,814
Median Year Structure Built	2005	2005	2004	2002	2005	1990
Avg. Travel Time to Work in Min.	48	46	43	41	47	72

Source: Environics Analytics

As shown above, the current population within the subject market areas is 40,719 (33,223 + 7,496), and the average household size is between 3.4 and 3.6 persons. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years.

Median household income is significantly above Riverside County overall (\$65,414), with median household income ranging between \$103,206 and \$105,381 within both zip codes, and residents within both communities have a higher level of educational attainment than those of Riverside County, as are the median owner occupied home values.

Access and Linkages

The subject property is located in the French Valley/Temecula area of Riverside County. Specifically, Alure by KB Home is located along Thompson Road and Pourroy Road. Thompson Road intersects with Winchester Road/Highway 79, which is the primary north-south roadway in French Valley, intersecting with Interstate 15 to the south and providing access southbound to Temecula, Rainbow, Pala Mesa, Escondido and down to San Diego, where it intersects with Interstate 5. Northbound, Highway 79 traverses through the town of Winchester and the town of Green Acres, where it intersects with Highway 74 and provides access to Hemet, Valle Vista and eventually to Palm Desert to the east. In the subject's neighborhood, Highway 79 runs roughly parallel to Interstate 215, which provides access to all major area highways. In Temecula, other major surface streets include Ynez Road, Rancho California Road and Margarita Road.

The most proximate airport is the French Valley Airport, which is County run for public use; however, it does not offer any commercial air service. There are three airports offering commercial flights within a 70-mile radius: Ontario International Airport is approximately 55 miles northwest, Palm Springs International Airport is approximately 60 miles northeast and San Diego International Airport is approximately 72 miles south of the subject neighborhood.

Land Uses

Land uses in the immediate area include primarily residential and supporting commercial services. Immediately adjacent land uses to the subject property include newly developed single family residential and undeveloped residential land.

Neighborhood retail services for Winchester (proximate to the Alure subdivision) are found in the French Valley Village Center, located south of the Alure by KB Home subdivision at the intersection of Winchester Road/Highway 79 and Benton Road, which is anchored by Stater Bros. Market and CVS. Significant retail services proximate to the Indigo Place subdivision, in Temecula, are located at the intersection of Rancho California Road and Ynez Road, within the Temecula Town Center, which is anchored by Target, Vons, HomeGoods and 23 Hour Fitness. Immediately west of this center is Tower Plaza, which is anchored by Michaels and Big!Lots.

Significant retail services are located near the intersection of Interstate 15 and Winchester Road/Highway 79, including Commons at Temecula, Promenade Temecula and Palm Plaza. Palm Plaza is anchored by Hobby Lobby, Food 4 Less, T.J. Maxx and Kmart (recently closed). Just east of Palm Plaza is a Costco Wholesale and Promenade Mall, which is anchored by Sears, JC Penney, Macy's and Edwards (IMAX) Theater. Restaurants include Souplantation, Karl Strauss Brewing Company, TGI

Fridays, Tilted Kilt Pub & Eatery, Yard House and Lazy Dog Restaurant & Bar. Just east of Promenade Mall is Commons at Temecula, which is anchored by Petco, Party City, Joann Fabrics and Crafts, buybuy Baby and Nordstrom Rack. Other restaurants include Islands, Chick-fil-A, Jimmy John's, Romano's Macaroni Grill and The Original Pancake House. Also proximate to these retail developments is a Lowe's Home Improvement.

Community Uses

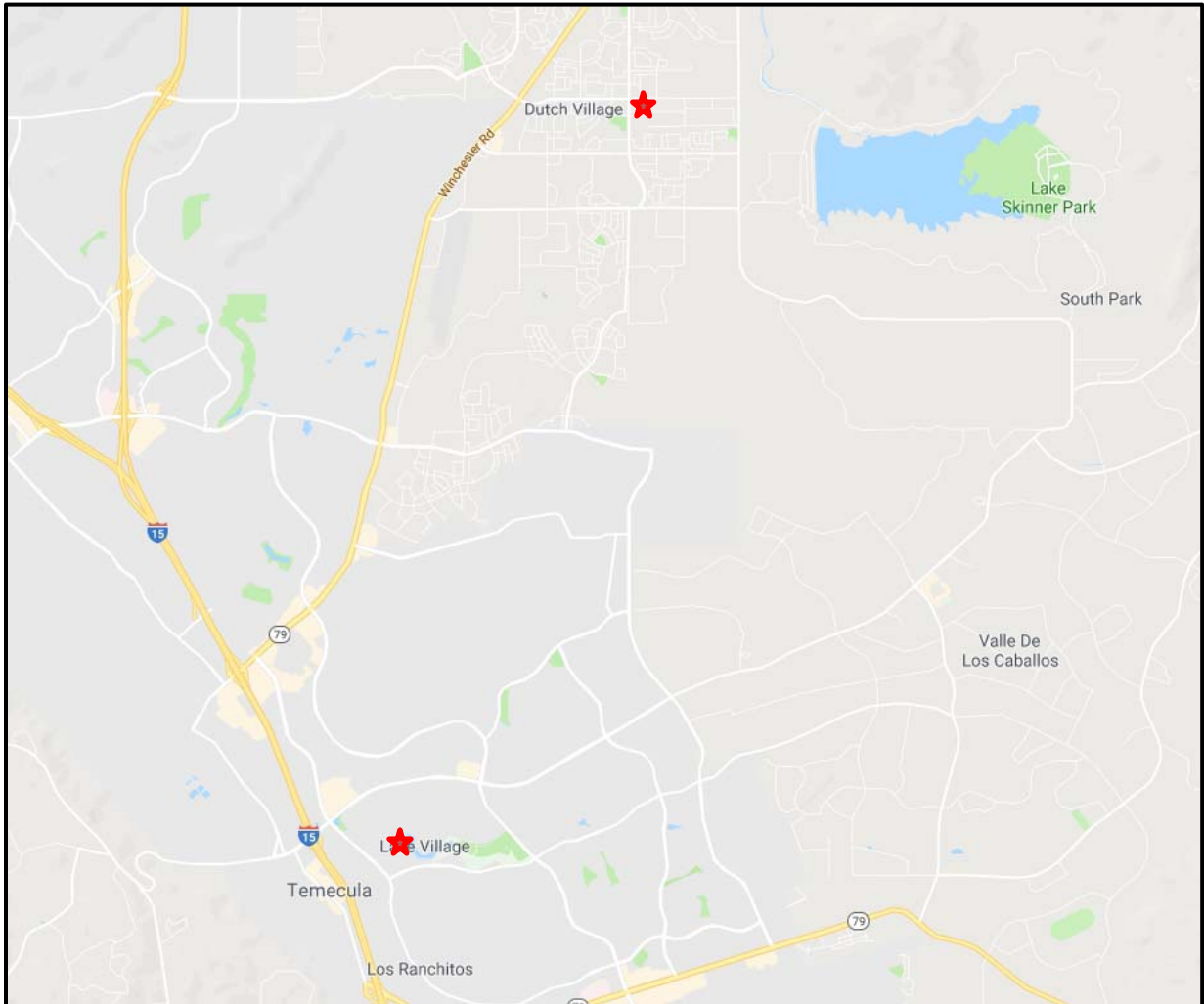
There are a variety of local community uses in the subject's French Valley/North Temecula neighborhood, including religious facilities, community service organizations, and local parks. Lake Skinner Regional Park & Skinner Park Reservoir is approximately eight miles southeast. It is a recreation destination with 240+ campsites, hiking, horseback riding, sailing & fishing. The Temecula Valley Balloon & Wine Festival, which is in its 35th year, has been held on the grounds of this park. Diamond Valley Lake, one of the largest man-made, off-stream reservoirs in Southern California, is situated 14 miles northeast. The lake is open to boating and fishing, along with hiking and other recreational activities around the lake. Other community services and uses are available in the cities of Temecula and Murrieta.

The subject is located within the Temecula Valley Unified School District. Vail Elementary School (K – 5th), Margarita Middle School (6th – 8th) and Temecula Valley High School (9th – 12th) serves the Indigo Place subdivision in Temecula, and French Valley Elementary School (K – 5th), Bella Vista Middle School (6th – 8th) and Chaparral High School (9th – 12th) serves the Alure by KB Home subdivision in French Valley. Temecula Valley Unified School district includes seventeen elementary schools, six middle schools, four high schools, along with one virtual school, two charter schools and an adult school. Further, there are various private and parochial schools in the general area. Mt. Jacinto Community College and Brandman University are located in Menifee, approximately 10 miles northwest of the subject. University of California, Riverside is the largest four-year public university in the area, located approximately 30 miles north of the subject, in the city of Riverside.

Outlook and Conclusions

In conclusion, the subject's immediate neighborhood is growing in residential uses. The area is considered to be a middle-income neighborhood with adequate support facilities in proximity. The overall condition and quality of the neighborhood are rated as average. The subject property is considered to have average transportation characteristics, including proximity to major neighborhood thoroughfares and freeway access. Overall, the neighborhood is expected to generate steady demand for residential use over the long term.

Surrounding Area Map



Residential Market Analysis

Given prevailing land use patterns and the subject's zoning, a likely use of the property is for residential development. In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

Submarket Overview

The appraised properties comprise two distinct subdivisions, Alure by KB Home, located in the unincorporated Riverside County community of Winchester, and Indigo Place by DR Horton, located in the city of Temecula. Both projects are considered to have good transportation linkages. The neighborhood is characterized as a suburban area that appeals to both local workers and commuters, and both are characterized as projects designed for a combination of entry-level and/or first-time move-up home buyers.

Single-Family Building Permits

Single-family building permits for unincorporated Riverside County, the city of Temecula, as well as Riverside County totals are shown in the following table.

Building Permits			
Year	Riverside County Uninc.	City of Temecula	Riverside County Total
2008	1,832	301	3,808
2009	1,058	323	3,079
2010	1,321	342	4,012
2011	552	288	2,350
2012	748	330	2,847
2013	726	316	4,328
2014	796	234	5,058
2015	975	143	4,325
2016	1,512	161	5,136
2017	1,377	86	5,827
2018	1,859	90	6,790

Source: SOCDS Building Permits Database

New Home Pricing and Sales

The Gregory Group surveys active new home projects in California and Nevada. On the following page we present a table containing indicators for active single-family residential projects in the subject's French Valley and Temecula market areas for the past year.

New Home Sales History								
Time Period	Average price	% Change Average Price	Average Home Size (SF)	Average Price/Avg SF	% Change Price/SF	Quarter Sold	Number of Projects	Sold Per Proj. Per Month
French Valley								
1Q 2018	\$447,670	-	2,689	\$166.48	-	540	18	10.00
2Q 2018	\$409,268	-8.6%	2,607	\$156.99	-5.7%	540	25	7.20
3Q 2018	\$441,401	7.9%	2,678	\$164.82	5.0%	348	23	5.04
4Q 2018	\$430,363	-2.5%	2,614	\$164.64	-0.1%	76	22	1.15
Temecula								
1Q 2018	-	-	-	-	-	-	-	-
2Q 2018	\$606,654	-	2,905	\$208.83	-	308	7	14.67
3Q 2018	\$607,180	0.1%	2,859	\$212.37	1.7%	113	7	5.38
4Q 2018	\$604,144	-0.5%	2,890	\$209.05	-1.6%	26	7	1.24

In terms of the number of home sales in French Valley and Temecula, over the last 12 months, the average number of homes sales has been gradually declining since the beginning of the year, with the most recent quarter (4th Quarter) reflecting homes sales of just over one per month per project.

Active New Home Projects Pricing and Absorption

There are 28 active projects in the market areas of French Valley and Temecula. These projects, which are considered to be most competitive with the subject property given their locations and lot sizes, are summarized in the tables below and on the following page, based on data from the Fourth Quarter of 2018.

Active Projects											
Project	Master Plan	Community	Developer	Average Price	Avg. Home Size (SF)	Average Price/SF	Typical Lot Size	Units Planned	Units Offered	Units Sold	Units Unsold
Agave	Spencer's Crossing	Murrieta	Brookfield Residential	\$473,000	3,227	\$146.58	6,720	49	17	6	11
Alure	--	French Valley	KB Home	\$435,990	2,593	\$168.14	7,000	51	51	39	12
Autumn Winds	--	Winchester	KB Home	\$341,847	1,782	\$191.83	6,800	141	18	9	9
Avena	--	Temecula	Pardee Homes	\$456,000	2,785	\$163.73	5,000	84	48	34	14
Bella Sol	--	Winchester	Meritage Homes	\$363,323	1,848	\$196.60	2,500	97	97	94	3
Bellevue at the Promontory	--	Murrieta	Cornerstone Communities	\$547,990	3,197	\$171.41	5,000	94	26	16	10
Braeburn	Spencer's Crossing	Murrieta	Pardee Homes	\$439,167	2,448	\$179.40	5,000	82	21	9	12
Brighton at the Promontory	--	Murrieta	Cornerstone Communities	\$435,657	2,453	\$177.60	3,700	110	8	2	6
Callistoga at the Promontory	--	Murrieta	Cornerstone Communities	\$418,657	1,889	\$221.63	2,800	64	41	37	4
Camberly Place	--	French Valley	KB Home	\$409,323	2,670	\$153.30	7,000	130	48	31	17
Emerson	--	Murrieta	D.R. Horton	\$469,990	2,922	\$160.85	6,000	60	60	56	4
Horizon	Morningstar Ranch	Winchester	Lennar Homes	\$495,437	3,163	\$156.64	11,700	94	94	93	1
Hunters Pointe	--	Murrieta	D.R. Horton	\$422,823	2,405	\$175.81	6,200	66	66	64	2
Indigo Place	--	Temecula	D.R. Horton	\$426,498	1,825	\$233.70	2,700	54	50	36	14
Juniper	Spencer's Crossing	Murrieta	Brookfield Residential	\$479,000	3,584	\$133.65	7,500	114	106	96	10
Laurel	Spencer's Crossing	Murrieta	Woodside Homes	\$441,450	2,765	\$159.66	7,500	92	92	88	4
Luz Del Sol	--	Temecula	Signature Homes	\$323,323	1,896	\$170.53	7,000	164	86	76	10
Marbella	Terracina	Temecula	Lennar Homes	\$651,292	3,217	\$202.45	9,000	224	149	138	11
Mountain Sky	Conestoga	Winchester	Lennar Homes	\$385,228	2,353	\$163.72	7,000	113	31	22	9
Nicolas Heights	--	Temecula	Lennar Homes	\$529,425	2,837	\$186.61	6,000	83	44	31	13
Provence at Heritage Ranch	--	Winchester	Beazer Homes	\$408,390	2,341	\$174.45	8,000	122	24	8	16
Salt Creek	Conestoga	Winchester	Lennar Homes	\$421,669	1,851	\$227.81	7,000	110	24	12	12
Santolina	Spencer's Crossing	Murrieta	KB Home	\$431,561	2,748	\$157.05	5,500	108	37	17	20
Sunrise	Morningstar Ranch	Winchester	Lennar Homes	\$459,286	2,759	\$166.47	6,500	95	90	87	3
Sycamore North	Spencer's Crossing	Murrieta	Richmond American Homes	\$468,740	2,935	\$159.71	6,500	46	46	36	10
Tamarack	Spencer's Crossing	Murrieta	Pardee Homes	\$512,250	3,322	\$154.20	7,000	84	73	60	13
The Preserve	--	Murrieta	William Lyon Homes	\$456,757	2,698	\$169.29	7,000	207	76	60	16
Toscana	Terracina	Temecula	Lennar Homes	\$600,372	3,167	\$189.57	7,200	102	102	102	0
				Minimum	\$323,323	1,782	\$134	2,500			
				Maximum	\$651,292	3,584	\$234	11,700			
				Average	\$453,730	2,631	\$175	6,315			

Source: The Gregory Group

Absorption											
Project	Master Plan	Avg. Home Price	Avg. Home Size	Lot Size					12-Month	Average Per	Average Per
		(4Q 18 Only)	(4Q 18 Only)	(SF)	4Q 2018	3Q 2018	2Q 2018	1Q 2018	Total	Quarter	Month
Agave	Spencer's Crossing	\$473,000	3,227	6,720	6	5	--	--	11	5.5	1.8
Alure	--	\$435,990	2,593	7,000	2	19	--	16	37	12.3	4.1
Autumn Winds	--	\$341,847	1,782	6,800	9	--	--	--	9	9.0	3.0
Avena	--	\$456,000	2,785	5,000	8	13	--	13	34	11.3	3.8
Bella Sol	--	\$363,323	1,848	2,500	4	25	--	10	39	13.0	4.3
Bellevue at the Promontory	--	\$547,990	3,197	5,000	2	9	--	5	16	5.3	1.8
Braeburn	Spencer's Crossing	\$439,167	2,448	5,000	1	8	--	--	9	4.5	1.5
Brighton at the Promontory	--	\$435,657	2,453	3,700	1	1	--	--	2	1.0	0.3
Calistoga at the Promontory	--	\$418,657	1,889	2,800	2	5	--	30	37	12.3	4.1
Camberly Place	--	\$409,323	2,670	7,000	6	20	--	5	31	10.3	3.4
Emerson	--	\$469,990	2,922	6,000	1	30	--	25	56	18.7	6.2
Horizon	Morningstar Ranch	\$495,437	3,163	11,700	1	22	--	21	44	14.7	4.9
Hunters Pointe	--	\$422,823	2,405	6,200	5	30	--	29	64	21.3	7.1
Indigo Place	--	\$426,498	1,825	2,700	7	22	--	7	36	12.0	4.0
Juniper	Spencer's Crossing	\$479,000	3,584	7,500	3	26	--	67	96	32.0	10.7
Laurel	Spencer's Crossing	\$441,450	2,765	7,500	1	13	--	--	14	7.0	2.3
Luz Del Sol	--	\$323,323	1,896	7,000	6	21	--	49	76	25.3	8.4
Marbella	Terracina	\$651,292	3,217	9,000	5	42	--	91	138	46.0	15.3
Mountain Sky	Conestoga	\$385,228	2,353	7,000	4	18	--	--	22	11.0	3.7
Nicolas Heights	--	\$529,425	2,837	6,000	-2	12	--	21	31	10.3	3.4
Provence at Heritage Ranch	--	\$408,390	2,341	8,000	3	5	--	--	8	4.0	1.3
Salt Creek	Conestoga	\$421,669	1,851	7,000	0	12	--	--	12	6.0	2.0
Santolina	Spencer's Crossing	\$431,561	2,748	5,500	2	15	--	--	17	8.5	2.8
Sunrise	Morningstar Ranch	\$459,286	2,759	6,500	4	28	--	55	87	29.0	9.7
Sycamore North	Spencer's Crossing	\$468,740	2,935	6,500	0	10	--	26	36	12.0	4.0
Tamarack	Spencer's Crossing	\$512,250	3,322	7,000	8	14	--	38	60	20.0	6.7
The Preserve	--	\$456,757	2,698	7,000	16	16	--	28	60	20.0	6.7
Toscano	Terracina	\$600,372	3,167	7,200	2	2	--	98	102	34.0	11.3
Total					107	443	--	634			
No. of Active Projects					28	27	--	19			
Quarterly Pro-Rata					3.8	16.4	--	33.4			
Monthly Pro-Rata					1.3	5.5	--	11.1			
								6.0	Average Monthly Pro-Rata		

Projects considered most similar to the subject, as well as the subject property (Alure and Indigo Place) are further detailed in the following tables.

PROJECT INFORMATION				AT A GLANCE								
Project Name	Avena			Average Price	\$456,000			Qtr Sold	8			
Region	Inland Empire			Average Sq Ft	2,785			Qtr WSR	0.62			
County	Riverside			Total Inventory	50			Tot WSR	0.67			
Community	Temecula			Standing Inventory	3			Avg Incentives	\$6,000			
Master Plan	No			Open Date	01/06/18			Survey Date	1/1/19			
Age Restricted	No			Developer Name	Pardee Homes			Special Tax per Month	\$207.00			
Project Phone	(951) 383-2021			Developer Phone	(951) 428-4400			HOA per Month	\$57.00			
Sales Office Hours	Daily 10 - 5			Product Type	Detached			Broker Coop	12000			
GPS Coordinates	N : 33.595883 W : 117.118162			Type Description	Traditional			Special Incentives	\$0			
Cross Street				Lot Size	5,000			Project Density				
Finished Lots	N/A			Lot Dimension	50 x 100			Model/Trailer	Model			
Blue Top Lots				Blue Top Lots	N/A							
PLAN DETAILS												
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room	
	2,585	\$449,000	\$173.69	\$6,000	\$443,000	\$171.37	3	2.5	2	2	Bonus	
	2,616	\$447,000	\$170.87	\$6,000	\$441,000	\$168.58	3	2.5	2	3	Den, Loft	
	2,871	\$456,000	\$158.83	\$6,000	\$450,000	\$156.74	4	3	2	3	Bonus	
	3,070	\$472,000	\$153.75	\$6,000	\$466,000	\$151.79	4	3.5	2	2	Bonus	
SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/18	84	48	34	8	50	38	14	17	0.67	0.62	\$456,000	0.00
Qtr 3/18	84	40	26	13	58	44	14	25	0.68	1.00	\$456,000	0.27
Qtr 1/18	84	20	13	13	71	64	7	50	1.08	1.00	\$454,750	0.00



PROJECT INFORMATION				AT A GLANCE			
Project Name	Indigo Place	Average Price	\$426,498	Qtr Sold	7	Master Plan	No
Region	Inland Empire	Average Sq Ft	1,825	Qtr WSR	0.54	Age Restricted	No
County	Riverside	Total Inventory	18	Tot WSR	0.84	Project Phone	(951) 587-0445
Community	Temecula	Standing Inventory	1	Avg Incentives	\$5,000	Sales Office Hours	Daily 10 - 6
Open Date	03/03/18	Survey Date	1/1/19	Developer Name	D.R. Horton	Special Tax per Month	\$188.00
Developer Phone	(951) 272-9000	HOA per Month	\$202.00	Product Type	Detached	Broker Coop	2.0%
Type Description	Small Lot, Detached	Special Incentives	\$0	Lot Size	2,700	Project Density	Model
Lot Dimension	2,700	Model/Trailer	Model	Blue Top Lots	N/A		
GPS Coordinates	N : 33.501432 W : 117.138393						
Cross Street	N/A						
Finished Lots	N/A						

PLAN DETAILS											
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
1,564	\$411,960	\$263.42	\$5,000	\$406,960	\$260.22	3	2.5	2	2	None	
1,751	\$424,490	\$242.43	\$5,000	\$419,490	\$239.67	4	3.5	2	2	None	
1,974	\$429,990	\$217.83	\$5,000	\$424,990	\$215.29	3	2.5	2	2	Loft	
2,014	\$439,520	\$218.23	\$5,000	\$434,520	\$215.75	4	3	2	2	Loft	

SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/18	54	50	36	7	18	4	14	30	0.84	0.54	\$426,498	0.26
Qtr 3/18	54	35	29	22	25	19	6	30	0.97	1.89	\$425,373	- 0.15
Qtr 1/18	54	13	7	7	47	41	6	30	1.75	0.54	\$425,998	0.00

PROJECT INFORMATION				AT A GLANCE			
Project Name	Brighton at the Promontory	Average Price	\$435,657	Qtr Sold	1	Master Plan	No
Region	Inland Empire	Average Sq Ft	2,453	Qtr WSR	0.08	Age Restricted	No
County	Riverside	Total Inventory	108	Tot WSR	0.13	Project Phone	(951) 691-1559
Community	Murrieta	Standing Inventory	0	Avg Incentives	\$7,000	Sales Office Hours	N/A
Open Date	09/15/18	Survey Date	1/1/19	Developer Name	Cornerstone Communities	Special Tax per Month	\$229.00
Developer Phone	(858) 458-9700	HOA per Month	\$93.00	Product Type	Detached	Broker Coop	3.0%
Type Description	Small Lot, Detached	Special Incentives	\$0	Lot Size	3,700	Project Density	Model
Lot Dimension	3,700	Model/Trailer	Model	Blue Top Lots	N/A		
GPS Coordinates	N : 33.561856 W : 117.127768						
Cross Street	N/A						
Finished Lots	N/A						

PLAN DETAILS											
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
2,200	\$419,990	\$190.90	\$7,000	\$412,990	\$187.72	3	3	2	2	Den	
2,427	\$440,990	\$181.70	\$7,000	\$433,990	\$178.62	3	2.5	2	2	Den	
2,732	\$445,990	\$163.25	\$7,000	\$438,990	\$160.68	3	3.5	2	2	Den, Loft	

SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/18	110	8	2	1	108	102	6	15	0.13	0.08	\$435,657	- 5.43
Qtr 3/18	110	8	1	1	109	102	7	25	0.50	0.08	\$460,657	0.00

PROJECT INFORMATION				AT A GLANCE			
Project Name	Alure	Average Price	\$435,990	Qtr Sold	2	Master Plan	No
Region	Inland Empire	Average Sq Ft	2,593	Qtr WSR	0.15	Age Restricted	No
County	Riverside	Total Inventory	12	Tot WSR	0.76	Project Phone	(951) 383-4115
Community	French Valley	Standing Inventory	2	Avg Incentives	\$10,000	Sales Office Hours	Mon 1-5, Tues - Fri 9 - 5, Sat - Sun 10 - 6
Open Date	01/06/18	Survey Date	1/1/19	Developer Name	KB Home	Special Tax per Month	\$315.00
Developer Phone	(951) 691-5300	HOA per Month	\$0.00	Product Type	Detached	Broker Coop	3.0%
Type Description	Traditional	Special Incentives	\$0	Lot Size	7,000	Project Density	Model
Lot Dimension	7,000	Model/Trailer	Model	Blue Top Lots	N/A		
GPS Coordinates	N : 33.598211 W : 117.101073						
Cross Street	N/A						
Finished Lots	N/A						

PLAN DETAILS											
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
2,239	\$421,990	\$188.47	\$10,000	\$411,990	\$184.01	3	2	1	2	Den	
2,828	\$428,990	\$183.24	\$10,000	\$418,990	\$159.43	4	2.5	1	2	Den	
2,913	\$456,990	\$156.88	\$10,000	\$446,990	\$153.45	4	2.5	1	2	Den, Bonus	

SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/18	51	51	39	2	12	0	12	25	0.76	0.15	\$435,990	- 3.61
Qtr 3/18	51	51	37	19	14	0	14	30	0.97	1.48	\$452,323	0.67
Qtr 1/18	51	30	18	18	33	21	12	50	1.50	1.23	\$449,323	1.28
Qtr 4/17	51	12	2	2	49	39	10	50	0.00	0.15	\$443,657	0.00



PROJECT INFORMATION				AT A GLANCE								
Project Name	Braeburn	Average Price	\$439,167	Qtr Sold	1							
Region	Inland Empire	Average Sq Ft	2,448	Qtr WSR	0.08							
County	Riverside	Total Inventory	73	Tot WSR	0.27							
Community	Murrieta	Standing Inventory	3	Avg Incentives	\$8,000							
Master Plan	Spencer's Crossing	Open Date	05/12/18	Survey Date	1/1/19							
Age Restricted	No	Developer Name	Pardee Homes	Special Tax per Month	\$258.00							
Project Phone	(951) 447-4331	Developer Phone	(951) 428-4400	HOA per Month	\$128.00							
Sales Office Hours	N/A	Product Type	Detached	Broker Coop	\$0							
GPS Coordinates	N : 33.818244 W : 117.122213	Type Description	Traditional	Special Incentives	\$0							
Cross Street		Lot Size	5,000	Project Density								
Finished Lots	N/A	Lot Dimension		Model/Trailer	Model							
		Blue Top Lots	N/A									
PLAN DETAILS												
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room	
2,383		\$445,500	\$186.95	\$8,000	\$439,500	\$184.43	3	2	1	2	Den	
2,516		\$434,500	\$172.69	\$8,000	\$428,500	\$170.31	3	2.5	2	3	Den, Loft	
2,884		\$437,500	\$151.70	\$8,000	\$431,500	\$149.62	4	3	2	3	Loft	
SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/18	82	21	9	1	73	61	12	20	0.27	0.08	\$439,167	- 0.81
Qtr 3/18	82	17	8	8	74	65	9	15	0.40	0.62	\$442,750	0.00

PROJECT INFORMATION				AT A GLANCE								
Project Name	Camberly Place	Average Price	\$409,323	Qtr Sold	6							
Region	Inland Empire	Average Sq Ft	2,670	Qtr WSR	0.46							
County	Riverside	Total Inventory	99	Tot WSR	0.76							
Community	French Valley	Standing Inventory	5	Avg Incentives	\$0							
Master Plan	No	Open Date	03/15/18	Survey Date	1/1/19							
Age Restricted	No	Developer Name	KB Home	Special Tax per Month	\$275.00							
Project Phone	(951) 383-4880	Developer Phone	(951) 691-5300	HOA per Month	\$78.00							
Sales Office Hours	Mon 1 - 6, Tues - Sun 10 - 6	Product Type	Detached	Broker Coop	3.0%							
GPS Coordinates	N : 33.817784 W : 117.086133	Type Description	Traditional	Special Incentives	\$0							
Cross Street		Lot Size	7,000	Project Density								
Finished Lots	N/A	Lot Dimension		Model/Trailer	Model							
		Blue Top Lots	N/A									
PLAN DETAILS												
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room	
2,097		\$379,990	\$181.21	\$0	\$379,990	\$181.21	3	2	1	2	None	
2,329		\$392,000	\$168.74	\$0	\$392,000	\$168.74	3	2	1	2	Den	
2,683		\$409,990	\$153.96	\$0	\$409,990	\$153.96	4	3	1	2	Den	
2,773		\$416,990	\$150.38	\$0	\$416,990	\$150.38	4	2.5	2	2	Den, Loft	
2,925		\$422,990	\$144.61	\$0	\$422,990	\$144.61	4	2.5	2	2	Den, Loft	
3,234		\$432,990	\$133.89	\$0	\$432,990	\$133.89	4	2.5	2	2	Den, Loft	
SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/18	130	48	31	6	99	82	17	35	0.76	0.46	\$409,323	- 2.85
Qtr 3/18	130	58	25	20	105	72	33	40	0.89	1.54	\$421,323	- 4.20
Qtr 1/18	130	20	5	5	125	110	15	60	2.50	0.38	\$439,790	0.00

PROJECT INFORMATION				AT A GLANCE								
Project Name	Laurel	Average Price	\$441,450	Qtr Sold	1							
Region	Inland Empire	Average Sq Ft	2,765	Qtr WSR	0.08							
County	Riverside	Total Inventory	4	Tot WSR	1.19							
Community	Murrieta	Standing Inventory	1	Avg Incentives	\$7,500							
Master Plan	Spencer's Crossing	Open Date	07/30/17	Survey Date	1/1/19							
Age Restricted	No	Developer Name	Woodside Homes	Special Tax per Month	\$350.00							
Project Phone	(951) 376-3831	Developer Phone	(951) 710-1900	HOA per Month	\$111.00							
Sales Office Hours	Daily 10 - 5	Product Type	Detached	Broker Coop	2.5%							
GPS Coordinates	N : 33.810036 W : 117.124430	Type Description	Traditional	Special Incentives	\$2,500							
Cross Street		Lot Size	7,500	Project Density								
Finished Lots	N/A	Lot Dimension		Model/Trailer	Model							
		Blue Top Lots	N/A									
PLAN DETAILS												
Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room	
2,410		\$424,990	\$176.34	\$7,500	\$417,490	\$173.23	3	2.5	1	2	Study	
2,500		\$430,990	\$172.40	\$7,500	\$423,490	\$169.40	4	3	1	3	Study	
2,755		\$414,990	\$150.63	\$7,500	\$407,490	\$147.81	3	3	2	3	Study	
2,963		\$452,990	\$152.88	\$7,500	\$445,490	\$150.95	4	3	2	3	Loft, Study	
3,199		\$493,290	\$151.08	\$7,500	\$485,790	\$148.73	4	3.5	2	3	Loft, Study	
SURVEY INFORMATION												
Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/18	92	92	88	1	4	0	4	11	1.19	0.08	\$441,450	0.00
Qtr 3/18	92	92	87	13	5	0	5	16	1.43	1.00	\$441,450	0.00
Qtr 1/18	92	84	74	74	18	8	10	36	2.11	5.09	\$441,450	0.00



Resale Pricing

The following table shows recent resale data (last six months) for more recently built homes (2010 and newer) in Winchester and Temecula (east of I-15). We restricted our search to lot sizes with less than 12,000 square feet.

Resales											
Address	City	Sale Date	Living Area (SF)	Sale Price	Last List Price	Sale Price /SF	Sale/List	Year Built	Days on Market	Lot Size	
39197	Hidden Creek LN	Temecula	2/26/2019	2,389	\$500,000	\$514,900	\$209	97.1%	2013	77	5,227
32881	Red Carriage RD	Winchester	2/21/2019	2,290	\$465,000	\$475,000	\$203	97.9%	2011	108	9,583
34896	Kooden RD	Winchester	2/3/2019	2,536	\$437,500	\$444,900	\$173	98.3%	2013	93	7,405
32687	Cherokee Rose ST	Winchester	1/30/2019	2,909	\$475,000	\$489,052	\$163	97.1%	2018	8	8,754
40590	Alder CT	Temecula	1/30/2019	2,421	\$492,000	\$491,656	\$203	100.1%	2018	20	6,827
40595	Alder CT	Temecula	1/30/2019	2,218	\$551,000	\$551,211	\$248	100.0%	2018	90	6,716
31134	Maverick LN	Temecula	1/8/2019	2,816	\$550,000	\$559,900	\$195	98.2%	2013	387	6,098
46356	Teton Trail	Temecula	1/4/2019	2,927	\$520,000	\$525,000	\$178	99.0%	2010	39	5,663
34171	Regusci CT	Temecula	1/4/2019	2,374	\$559,900	\$562,500	\$236	99.5%	2011	62	5,663
31812	Corte Los Feliz	Winchester	1/1/2019	2,610	\$480,000	\$495,000	\$184	97.0%	2014	14	9,148
31938	Red Pine WAY #93	Temecula	12/28/2018	1,846	\$410,000	\$423,900	\$222	96.7%	2010	26	2,178
34875	Kooden RD	Winchester	12/24/2018	2,425	\$424,900	\$424,900	\$175	100.0%	2014	51	7,405
34587	Velvetleaf ST	Winchester	12/20/2018	2,027	\$430,000	\$437,990	\$212	98.2%	2018	160	7,215
32255	Spun Cotton DR	Winchester	12/17/2018	2,290	\$415,000	\$427,000	\$181	97.2%	2010	29	7,841
35083	Waimea WAY	Winchester	12/7/2018	2,789	\$420,000	\$417,900	\$151	100.5%	2011	212	6,970
45570	Faxon LN	Temecula	12/2/2018	2,821	\$592,000	\$596,990	\$210	99.2%	2018	85	10,794
45599	Faxon LN	Temecula	12/2/2018	2,821	\$643,500	\$632,990	\$228	101.7%	2018	9	11,438
39199	Rimrock Ranch RD	Temecula	12/1/2018	2,389	\$500,000	\$519,000	\$209	96.3%	2016	74	7,405
32775	Bachelor Peak	Winchester	11/30/2018	2,091	\$432,990	\$432,990	\$207	100.0%	2018	13	7,405
27472	Blackstone RD	Temecula	11/27/2018	2,095	\$422,000	\$424,900	\$201	99.3%	2012	47	4,356
27401	Anselmo WAY	Temecula	11/23/2018	2,489	\$465,000	\$465,000	\$187	100.0%	2010	7	5,227
35587	Cloche DR	Winchester	11/19/2018	2,592	\$416,000	\$416,000	\$160	100.0%	2010	46	6,098
35445	Corte Los Robles	Winchester	11/19/2018	2,610	\$440,000	\$445,000	\$169	98.9%	2015	42	9,148
34972	Old Vine RD	Winchester	11/14/2018	2,550	\$450,000	\$454,999	\$176	98.9%	2014	51	12,197
40381	Wenham WAY	Temecula	11/14/2018	2,034	\$520,000	\$535,000	\$256	97.2%	2011	20	7,405
32349	Old Grove CT	Winchester	11/9/2018	2,560	\$455,100	\$455,000	\$178	100.0%	2014	101	8,276
31680	Sweetwater CIR	Temecula	11/2/2018	2,402	\$518,000	\$524,990	\$216	98.7%	2015	16	6,534
40610	Alder CT	Temecula	11/2/2018	2,985	\$542,000	\$542,449	\$182	99.9%	2018	76	9,312
34957	Ryanside CT	Winchester	11/1/2018	2,789	\$419,000	\$424,900	\$150	98.6%	2013	27	10,890
36057	Harvard Ct.	Winchester	10/30/2018	2,628	\$475,990	\$475,990	\$181	100.0%	2018	39	8,868
46435	Cask LN	Temecula	10/30/2018	2,554	\$520,000	\$525,000	\$204	99.0%	2017	40	5,108
27256	Avon LN	Temecula	10/30/2018	2,034	\$525,000	\$525,000	\$258	100.0%	2012	8	5,663
27461	Blackstone RD	Temecula	10/29/2018	1,890	\$436,900	\$441,900	\$231	98.9%	2012	17	3,920
31285	Cookie RD	Winchester	10/14/2018	2,320	\$405,000	\$395,000	\$175	102.5%	2014	50	7,405
46194	Rocky Trail LN #88	Temecula	10/12/2018	1,913	\$385,000	\$390,000	\$201	98.7%	2011	57	2,178
46675	Peach Tree ST	Temecula	10/4/2018	1,663	\$415,000	\$419,900	\$250	98.8%	2011	68	4,356
39139	Twin Creek DR	Temecula	10/1/2018	2,389	\$525,000	\$534,000	\$220	98.3%	2013	17	5,227
31430	Cookie RD	Winchester	9/28/2018	1,945	\$454,990	\$454,990	\$234	100.0%	2018	7	9,573
32575	Miller Ct	Temecula	9/21/2018	1,954	\$474,000	\$474,000	\$243	100.0%	2012	77	5,227
31335	Brush Creek CIR	Temecula	9/17/2018	2,499	\$540,000	\$549,999	\$216	98.2%	2016	13	7,405
34291	Coppola ST	Temecula	9/17/2018	2,601	\$585,000	\$579,900	\$225	100.9%	2012	7	7,405
45564	Gresham LN	Temecula	9/15/2018	2,700	\$572,500	\$561,310	\$212	102.0%	2018	49	7,765
46410	Sawtooth LN	Temecula	9/10/2018	2,937	\$519,900	\$519,900	\$177	100.0%	2010	12	6,098
34750	Kooden RD	Winchester	8/31/2018	1,691	\$412,000	\$409,000	\$244	100.7%	2014	36	8,712
34896	Kooden RD	Winchester	8/30/2018	2,525	\$334,200	\$347,000	\$132	96.3%	2013	261	7,405
31377	Partridgeberry DR	Winchester	8/30/2018	1,691	\$409,990	\$409,990	\$242	100.0%	2018	143	7,601
46186	Rocky Trail LN	Temecula	8/30/2018	2,156	\$414,900	\$414,900	\$192	100.0%	2011	5	2,178
34885	Ryanside CT	Winchester	8/30/2018	2,320	\$439,900	\$444,500	\$190	99.0%	2013	92	10,019
Total Sales			48	2,386	\$474,816	\$478,819	\$202	99.1%	2014	62	7110
			(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)

Ability to Pay

In this section, we will examine the ability to pay among prospective buyers for a representative price point within each of the projects, based on the indicators from the competing projects. First, we will estimate the required annual household income based on typical mortgage parameters in the

subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 4.50%, 360 monthly payments, and a 40% ratio for the housing costs as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). Property tax payments are accounted for in the analysis as well as homeowner's insurance. The following table shows the estimate of the annual household income that would be required to afford homes priced at the representative price point.

Income Required	Alure	Indigo Place
Home Price	\$440,000	\$425,000
Loan % of Price (Loan to Value)	80%	80%
Loan Amount	\$352,000	\$340,000
Interest Rate	4.50%	4.50%
Mortgage Payment	\$1,784	\$1,723
Ad Valorem Taxes	\$384	\$442
Bond Payments		
CFD No. 2018-1	\$178	\$124
Property Insurance	\$92	\$89
Total Monthly Obligation	\$2,437	\$2,377
Mortgage Payment % of Income	40%	40%
Monthly Income	\$6,093	\$5,943
Annual Income	\$73,121	\$71,311

In the following table we show the income brackets within the subject's two zip codes (92596 & 92592), combined, along with estimates of the percentage of households able to afford homes priced at \$440,000 within each income bracket. Although, a representative area of typical buyers for the subject property would likely characterize a broader area.

Household Ability					
Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
< \$15,000	1,310	3.3%	0.0%	0	0.0%
\$15,000 - \$24,999	1,369	3.4%	0.0%	0	0.0%
\$25,000 - \$34,999	1,850	4.6%	0.0%	0	0.0%
\$35,000 - \$49,999	3,045	7.6%	0.0%	0	0.0%
\$50,000 - \$74,999	5,761	14.4%	7.5%	433	1.1%
\$75,000 - \$99,999	5,918	14.8%	100.0%	5,918	14.8%
\$100,000 - \$149,999	9,857	24.6%	100.0%	9,857	24.6%
\$150,000 - \$199,999	5,868	14.6%	100.0%	5,868	14.6%
\$200,000 +	<u>5,121</u>	<u>12.8%</u>	100.0%	<u>5,121</u>	<u>12.8%</u>
	40,099	100.0%		27,197	67.8%

Conclusions

We have summarized some of the key points from this section as follows:

- New home pricing in the subject's market area has been stable for the past year.
- New home pricing per square foot of living area has remained stable.
- There are currently 28 active new home projects in the French Valley and Temecula market areas.
- Absorption rates within new home projects has been declining over the past year, with the most recent quarter the lowest in 12 months at 1.3 sales per project per month.
- Re-sale homes are transferring at or near the asking price, and the exposure period has averaged about two months.
- Overall, demand for new homes in the subject's market area is stable, but showing signs of moderating as of the Fourth Quarter.

Property Analysis

Land Description and Analysis

Location

CFD No. 2018-1 is comprised of two distinct residential subdivisions, Alure by KB Home and Indigo Place by DR Horton. Alure is located in the French Valley area of unincorporated Riverside County. Specifically, the property is located at the southeast quadrant of Thompson Rd. and Pourroy Rd., in the community of Winchester. Indigo Place is located in the city of Temecula, at the northeast quadrant of Rancho Vista Rd. and Mira Loma Dr., east of Ynez Rd. and Interstate 15.

Land Area

The following table summarizes the subject's land area.

Land Area Summary			
Tax ID	SF	Acres	Project
964-010-001	842,886	19.35	Alure by KB Home
944-060-006	315,374	7.24	Indigo Place by DR Horton
Total	1,158,260	26.59	

Source: Engineering Report

Shape and Dimensions

The site for the Alure subdivision is rectangular in shape; the site for the Indigo Place subdivision is irregular in shape, but not so irregular to have inhibited development. Site utility based on shape and dimensions are average.

Topography

The site for the Alure subdivision is generally level and at street grade; the site for the Indigo Place subdivision is generally level and below street (Mira Loma Dr.) grade. The topography does not result in any particular development limitations.

Off-site Improvements

Off-site improvements currently consist of concrete curbs, gutters, sidewalks and street lights, all of which were completed as part of the site development process for each subdivision.

On-site Improvements

Development of each property is almost complete, with all but two homes constructed within the Indigo Place (DR Horton) subdivision and nine remaining lots within the Alure (KB Home) subdivision.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

The following table provides flood hazard information for Alure by KB Home, located in Winchester (unincorporated Riverside County).

Flood Hazard Status	
Community Panel Number	06065C2730G
Date	Undated
Zone	D
Description	Area of undetermined, but possible, flood hazards
Insurance Required?	No

The Indigo Place by DR Horton project is located in Flood Zone X, areas of minimal flood hazard, according to Community Panel Number 06065C2720G, dated August 28, 2008.

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing improvements.

Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage				
Street	Thompson	Pourroy	Galleano	Indigo Place
Frontage Feet				
Paving	In place	In place	In place	In place
Curbs	In place	In place	In place	In place
Sidewalks	In place	In place	In place	In place
Lanes	2 way, 1 lane each way	2 way, 1 lane each way	2 way, 1 lane each way	2 way, 1 lane each way
Direction of Traffic	East/West	North/South	East/West	Circular
Condition	Average	Average	Average	Good
Traffic Levels	Low	Low	Low	Low
Signals/Traffic Control	Stop sign	Stop sign	None	None
Access/Curb Cuts	Yes	Yes	Yes	Yes
Visibility	Average	Average	Average	Average

Utilities

The availability of utilities to the subject is summarized in the following table.

Utilities	
Service	Provider
Water	Eastern Municipal Water District
Sewer	Eastern Municipal Water District
Electricity	Southern California Edison
Natural Gas	Southern California Gas Company

Zoning

The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject projects.

Zoning Summary		
Zoning Jurisdiction	County of Riverside	City of Temecula
Zoning Designation	SP	PDO-11
Description	Specific Plan, MDR - Medium Density Residential	Mira Loma Planned Development Overlay District-11
Legally Conforming?	Appears to be legally conforming	Appears to be legally conforming
Zoning Change Likely?	No	No
Permitted Uses	Single-Family Residential	Medium density residential

According to the local planning department, there are no pending or prospective zoning changes. It appears that the current use of each site is a legally conforming use based on the entitlements in place.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required.



Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

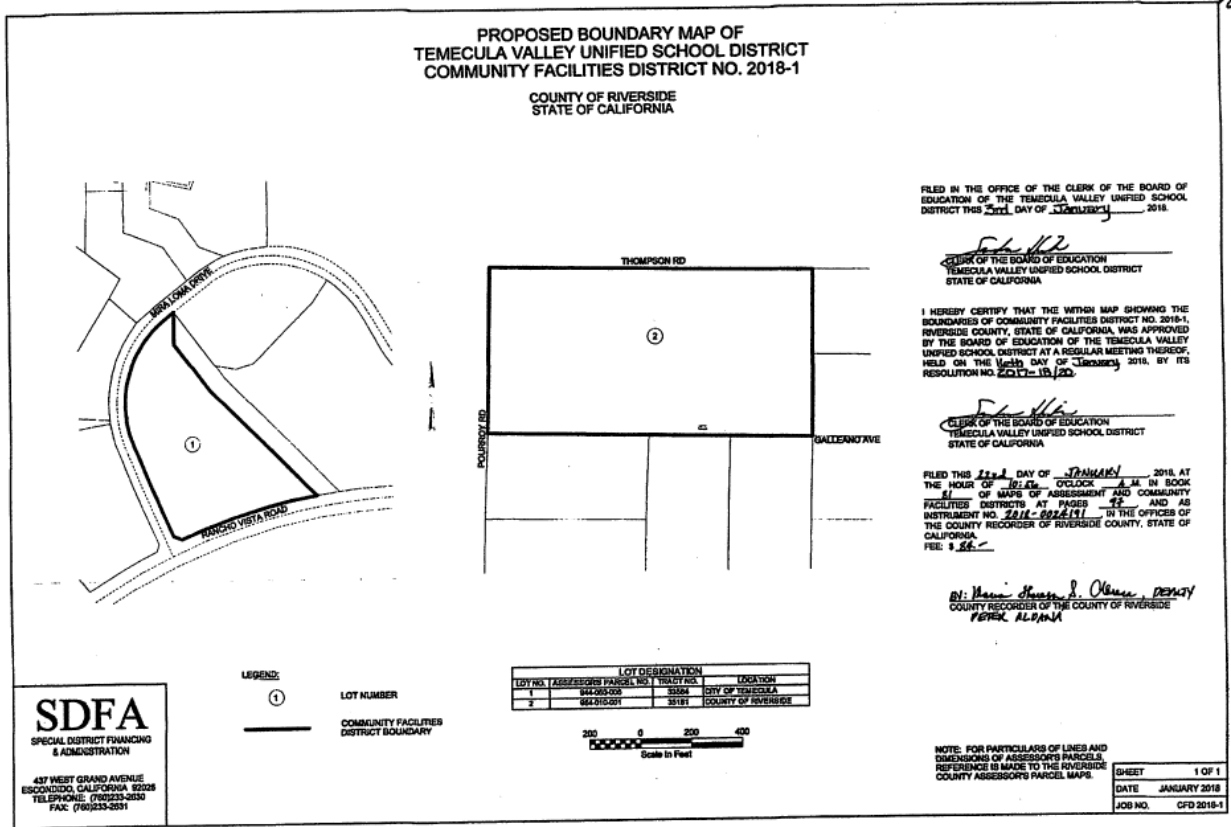
Easements, Encroachments and Restrictions

We have reviewed a preliminary title report for Alure by KB Home, dated September 13, 2017, prepared by First American Title, and a preliminary title report for Indigo Place by DR Horton, dated March 10, 2017, prepared by Chicago Title. The report identifies exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from easements, encroachments or restrictions and further assumes that the subject has clear and marketable title.

Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include single-Family Residential. We are not aware of any other particular restrictions on development.

CFD No. 2018-1 Boundary Map



CFD No. 2018-1 Aerial Images



Alure by KB Home – Winchester [source: AirViews, March 2, 2019]



Indigo Place by DR Horton – Temecula [source: AirViews, March 2, 2019]

Proposed Improvements Description

Overview

The appraised properties comprise two distinct subdivisions, Alure by KB Home, located in the unincorporated Riverside County community of Winchester, and Indigo Place by DR Horton, located in the city of Temecula. A summary of each product line is shown in the table below:

Floor Plan Summary						
	Size (SF)	Stories	Bedrooms	Bathrooms	Garage	Base Price
Alure by KB Home (Winchester)						
Plan 1	2,329	1	4	2	2	\$421,990
Plan 2	2,628	1	4	2.5	2	\$428,990
Plan 3	2,913	1	4	2.5	2	\$456,990
Indigo Place by DR Horton (Temecula)						
Plan 1	1,564	2	3	2.5	2	\$409,490
Plan 1X	1,751	2	3	2.5	2	\$423,990
Plan 2	1,974	2	3	2.5	2	\$428,990
Plan 3	2,014	2	4	3	2	\$437,990

Presented on the following pages are floor plans and elevations for each of the subdivisions comprising CFD No. 2018-1.

Floor Plans



Alure by KB Home – Floor Plan 1



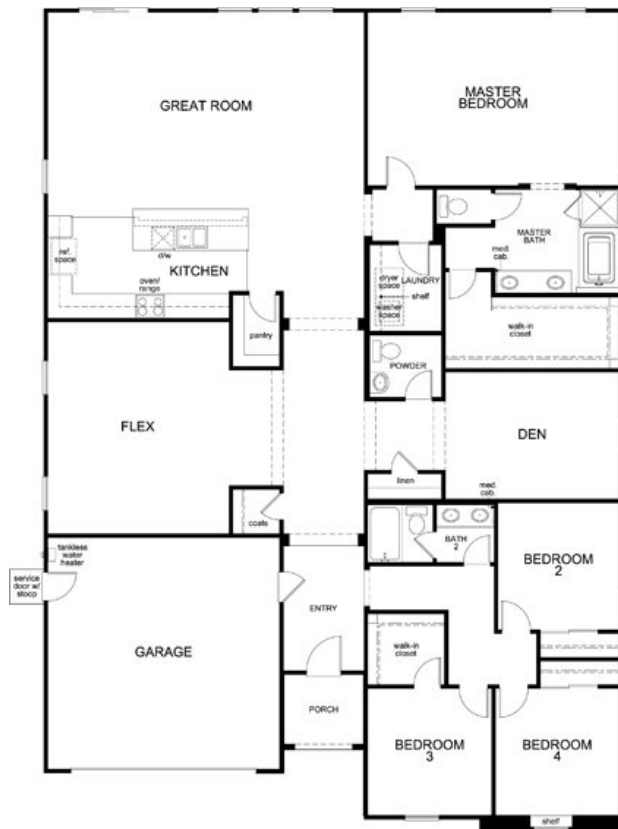


Alure by KB Home – Floor Plan 2





Alure by KB Home – Floor Plan 3



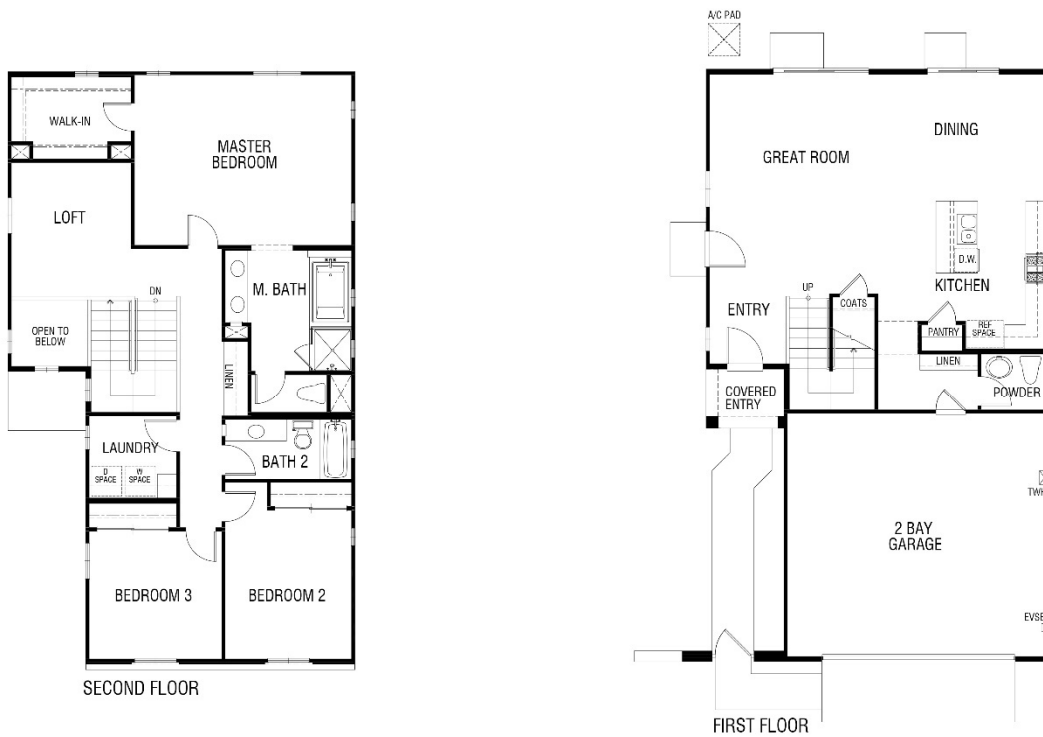


Indigo Place by DR Horton – Floor Plan 1



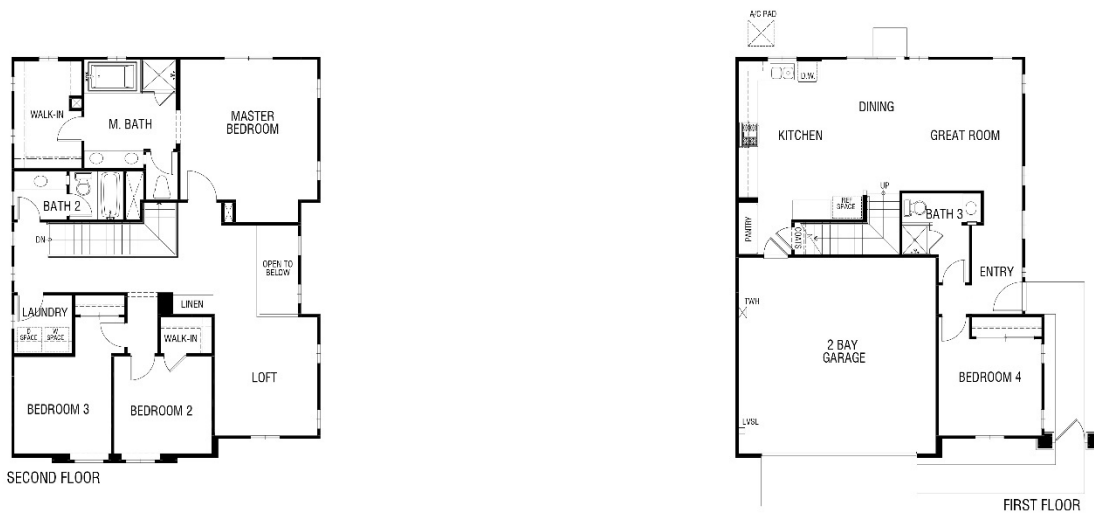


Indigo Place by DR Horton – Floor Plan 2





Indigo Place by DR Horton – Floor Plan 3











Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

The parcels are encumbered by direct charges, all of which represent annual charges in perpetuity (cannot be paid off). The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted based on the completed homes recently constructed on each respective lot. According to the Riverside County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.0473% (Alure by KB Home) and 1.0493% (Indigo Place by DR Horton).

As previously discussed, the subject property is situated within the boundaries of Temecula Valley Unified School District Community Facilities District No. 2018-1. The table below reflects the 2018/19 special tax rates for each subdivision:

TVUSD CFD No. 2018-1	
Home Size	Special Tax Per Lot
Alure	
2,329	\$1,894
2,628	\$2,138
2,913	\$2,369
Indigo Place	
1,564	\$1,272
1,751	\$1,424
1,974	\$1,606
2,014	\$1,638

The impact of the Lien of the Special Tax will be considered in the valuation of the underlying land.

Please note the Indigo Place subdivision is also encumbered by a Homeowners Association with monthly association dues of \$202 per lot.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As If Vacant

Legally Permissible

The subject projects are zoned for single-family residential development. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The Alure subdivisions has a recorded final map for 51 single-family residential lots on 19.35 acres, while Indigo Place has a recorded final map for 54 single-family residential lots on 7.24 acres. The subject's present entitlements are the result of significant planning and review, and any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, only single-family residential development is given further consideration in determining highest and best use of the site, as though vacant.

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including single-family residential development.

Financially Feasible

Based on our analysis of the market, there is currently adequate demand for single-family residential development in the subject's area. As shown later in this report by the extraction analysis where home construction costs are deducted from an estimated current home price, the subject's land value is positive, which demonstrates that single-family residential development is financially feasible. Further, buyers are actively buying homes and builders are buying land, reflecting ample demand. Therefore, single-family residential development is considered to be financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than single-family residential development. Accordingly, it is our opinion that single-family residential development, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

Conclusion

Development of the site for single-family residential development is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

As Improved

The subject projects have each been developed with single-family homes, which is consistent with the highest and best use of the site as if it were vacant.

Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the planned use. For these reasons, single-family residential development is concluded to be maximally productive and the highest and best use of the property as improved.

Most Probable Buyer

Taking into account the size and characteristics of the property the probable buyer of the residential lots and the partially completed homes within both subdivisions would be a production homebuilder. The probable buyers of the completed single-family homes would be individual homeowners.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis**, and the **subdivision development method**.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Applicable	Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

Market Valuation – Floor Plans

The market values of the subject's floor plans are estimated in this section. The objective of the analyses is to estimate the base price per floor plan, net of incentives, upgrades and lot premiums. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. The base price pertains to the typical lot size within each project. The sales comparison approach to value is employed in order to establish the market values for each floor plan.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate, 14th Edition* (Chicago: Appraisal Institute, 2013), "*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*" The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

As requested, we will estimate the market value of the smallest floor plan offered and constructed within each subdivision (Alure and Indigo Place) in CFD No. 2018-1, as of the date of value, February 28, 2019, to apply to those lots within CFD No. 2018-1 with a completed single-family home. The objective of the analyses is to estimate the base value of the smallest floor plan, net of incentives, upgrades and lot premiums. Base price pertains to the typical lot size within each project. The sales comparison approach to value is employed in order to establish the market values for each floor plan. The floor plans are summarized in the following table:

Floor Plan Summary						
	Size (SF)	Stories	Bedrooms	Bathrooms	Garage	Base Price
Alure by KB Home (Winchester)						
Plan 1	2,329	1	4	2	2	\$421,990
Plan 2	2,628	1	4	2.5	2	\$428,990
Plan 3	2,913	1	4	2.5	2	\$456,990
Indigo Place by DR Horton (Temecula)						
Plan 1	1,564	2	3	2.5	2	\$409,490
Plan 1X	1,751	2	3	2.5	2	\$423,990
Plan 2	1,974	2	3	2.5	2	\$428,990
Plan 3	2,014	2	4	3	2	\$437,990

Presented below are comparable new home sales within each subdivision comprising CFD No. 2018-1, which are considered the best indicators of market value for the completed single-family homes, as well as additional sales from comparable projects proximate to the subject.

New Home Sale Summary											
No.	Location	Subdivision	Sale Date	Sale Price	Living Area (SF)	Sale Price per SF	Lot Size	Floor Plan	Year Built	Stories	Garage
1	Lot 17, Harvard Ct., Winchester, CA	Alure	9/28/2018	\$445,490	2,329	\$191.28	7,047	4 / 2	2018	1	2
2	Lot 27, Vassar Dr., Winchester, CA	Alure	7/30/2018	\$429,990	2,329	\$184.62	8,255	4 / 2	2018	1	2
3	Lot 30, Vassar Dr., Winchester, CA	Alure	7/6/2018	\$439,490	2,329	\$188.70	9,018	4 / 2	2018	1	2
4	34635 Velvetleaf St., Winchester, CA	Provence at Heritage Ranch	3/5/2019	\$431,170	2,293	\$188.04	7,215	3 / 2	2018	1	3
5	34297 Faircrest St., Murrieta, CA	Preserve at Heritage Ranch	9/27/2018	\$439,900	2,401	\$183.22	7,687	3 / 3	2018	1	2
6	Lot 40, Azure St., Temecula, CA	Indigo Place	11/20/2018	\$416,370	1,564	\$266.22	2,404	3 / 2.5	2018	2	2
7	Lot 24, Azure St., Temecula, CA	Indigo Place	10/14/2018	\$390,990	1,564	\$249.99	2,468	3 / 2.5	2018	2	2
8	Lot 37, Azure St., Temecula, CA	Indigo Place	9/30/2018	\$389,990	1,564	\$249.35	2,432	3 / 2.5	2018	2	2
9	Lot 38, Azure St., Temecula, CA	Indigo Place	8/19/2018	\$433,870	1,564	\$277.41	2,401	3 / 2.5	2018	2	2
10	Lot 33, Azure St., Temecula, CA	Indigo Place	8/12/2018	\$389,835	1,564	\$249.26	2,401	3 / 2.5	2018	2	2

Discussion of Adjustment Considerations

In order to estimate the market values for the subject floor plans, the comparable transactions were adjusted to reflect the subject with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers whether adjustments are necessary pertaining to these items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for each unit follows.

Upgrades and Incentives

The objective of the analysis is to estimate the base value per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. Incentives and upgrades included in the sales have been considered and adjusted for in this analysis.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, consideration for this factor is not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then

be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No consideration is required for this factor.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding

The comparables did not involve any non-market or atypical conditions of sale. Consideration for this factor does not apply.

Market Conditions (Date of Sale, Phase Adjustment)

The market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a neighborhood, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

The comparables transferred between July 2018 and March 2019 and are primarily reflective of current market conditions; therefore, no consideration for market conditions is warranted.

Location

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user. The comparables are located within each of the subject subdivisions and do not merit any consideration for differences in location. Additional sales from outside the respective projects were also considered. In comparison to the Indigo Place floor plan, Comparable 9 merits upward consideration for inferior location.

Lot Size

The comparables selected are all reflective of generally similar lot sizes; no consideration for lot size discrepancies are necessary.

Lot Premiums

Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Adjustments for lot position premiums would be in addition to lot size adjustments previously considered. The comparable sales have traditional lot configurations and no other adjustments are warranted.

Design and Appeal/Quality of Construction

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices. The comparables are similar to the subject in regard to design and appeal.

Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit. In terms of quality of construction, the subject represents good construction quality. All of the comparable sales feature similar construction quality and do not require adjustments.

Age/Condition

When comparing resale to resale, the market generally reflects a difference of 1% per year of difference in effective age. Since all of the sales represent new construction, no consideration for differences in effective age are necessary.

Functional Utility

The appraised properties and comparables represent traditional detached single-family residential construction on similar lot size categories as the subject. No consideration for this factor is necessary.

Room Count

For similar size units the differences between room count is a buyer preference. One buyer might prefer two bedrooms and a den versus a three-bedroom unit. Extra rooms typically result in additional building area and are accounted for in the size adjustment. Therefore, no adjustments are made for number of total rooms or bedrooms. Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. The adjustment is based on an amount of \$5,000 per fixture (or half-bath) and is supported by cost estimates for a good quality home in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Considering the fact that plumbing upgrades for existing bathrooms generally range from \$5,000 to over \$25,000 for the various fixtures, the \$5,000 per fixture, or half-bath, is supported. Consequently, a factor of \$10,000 per full bath is also applied in our analysis.

Unit Size/Living Area

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or two-story designs, number of bathrooms and number of garage spaces were generally similar in these comparisons, in order to avoid other influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded.

Number of Stories

For similar size units, the differences between the number of stories is a buyer preference. One buyer might prefer a single-story versus a two-story unit. Typically, more stories result in additional building area and are accounted for in the size adjustment. Consideration for this factor is not warranted, as the comparables analyzed for each respective floor plan comprise similar one- or two-story design.

Parking/Garage

The subject's floor plans and most of the comparables offer a two-car garage. Comparable 4 included a three-car garage and is adjusted downward.

Conclusion of Home Values

The recent sales within the subject subdivisions suggest a market value per square foot between \$184 and \$191 for the 2,329 square foot Alure by KB Home floor plan, and \$249 to \$266 per square foot for the 1,564 square foot Indigo Place by DR Horton floor plan, which is supported by the additional sales analyzed. Based on the analysis herein, the not-less-than market value conclusions for the smallest floor plan within each active subdivision is summarized in the following table.

Floor Plan Conclusion				
Project	Builder	Size (SF)	Market Value per SF	Conclusion of Market Value
Alure	KB Home	2,329	\$182	\$424,000
Indigo Place	DR Horton	1,564	\$250	\$391,000

The estimates of not-less-than market value will be assigned to each of the completed single-family homes within CFD No. 2018-1.

Of the 51 lots comprising the Alure by KB Home subdivision, 34 homes have been completed and sold (closed escrow) to individual homeowners, seven homes, including two model homes, are complete and either sold (in escrow) or available for sale. Of the 54 lots comprising the Indigo Place by DR Horton subdivision, 35 homes have been completed and sold (closed escrow) to individual homeowners and 17 homes, including two model homes, are complete and either sold (in escrow) or available for sale. Since the seven homes currently held by KB Home and 17 homes currently held by DR Horton can be sold within 12 months of exposure to the market, it is our opinion no discounting is warranted.

Improved Lot Valuation – Extraction Analysis

Of the 51 lots comprising the Alure by KB Home subdivision, there were ten improved lots or lots with homes under construction (no contributory value is assigned to the partially completed homes), and of the 54 lots comprising the Indigo Place by DR Horton subdivision there were two remaining improved lots. In order to estimate the finished lot value for the remaining lots within each subdivision, as well as those lots with homes under construction, we utilize an extraction (residual) analysis that takes into account home prices, direct and indirect construction costs, accrued depreciation and developer's incentive in order to arrive at an estimate of finished lot value. The elements of the extraction technique are discussed below.

Revenue

For purposes of analysis, the preceding market value for each respective subdivision (smallest floor plan) will be utilized (\$424,000 (Alure) and \$391,000 (Indigo Place), respectively).

Expense Projections

As part of an ongoing effort to assemble market information, the table below reflects survey responses and developer budget information for numerous single-family residential subdivisions throughout California.

Subdivision Budgets											
Developer Classification	Budget Date	No. of Unit	Quality	Avg. Home Size (SF)	Avg. Lot Size	Direct Costs/SF	Indirect % of Direct Costs	Site Costs/Lot	Permits & Fees/Unit	Cost per Model	Profit % of Revenue
Regional	2018	88	Average	2,421	4,250	\$81	N/Av	\$43,843	\$68,879	N/Av	N/Av
National	2018	51	Average	2,593	7,000	\$55	N/Av	\$86,274	\$25,156	N/Av	15.6%
Regional	2018	85	Average	2,646	7,000	\$85.72	N/Av	\$97,805	\$46,787	N/Av	N/Av
Regional	2018	96	Average	2,718	5,250	N/Av	N/Av	\$101,914	\$57,346	N/Av	N/Av
Local	2018	35	Average	2,371	7,500	\$77.00	N/Av	N/Av	\$50,613	N/Av	N/Av
Regional	2018	16	Good	2,765	8,800	\$83.88	N/Av	N/Av	\$57,097	N/Av	N/Av
Local	2018	48	Entry	2,150	3,500	\$85.00	N/Av	\$66,900	\$77,000	N/Av	N/Av
Regional	2018	84	Average	2,724	4,500	\$79.83	N/Av	N/Av	\$86,200	N/Av	N/Av
Regional	2018	46	Good	1,946	2,900	\$105.00	N/Av	N/Av	\$28,370	N/Av	N/Av
Regional	2018	60	Average	2,179	4,775	\$61.52	N/Av	\$61,030	\$65,149	N/Av	N/Av
Regional	2018	83	Average	1,728	2,200	\$69.50	N/Av	\$63,568	\$68,864	N/Av	N/Av
Regional	2018	90	Average	2,502	4,105	N/Av	N/Av	\$93,027	\$63,750	N/Av	N/Av
Local	2018	44	Average	2,114	5,450	\$86.00	N/Av	\$68,524	\$39,525	N/Av	N/Av
Regional	2017	147	Average	2,100	2,500	\$73.00	N/Av	\$35,000	\$44,000	\$80,000	N/Av
Regional	2017	44	Average	2,171	5,450	\$84.85	6%	\$68,524	\$33,323	N/Av	N/Av
Local	2017	46	Average	1,874	4,500	\$90.33	14%	\$51,807	\$23,332	N/Av	N/Av
Regional	2017	94	Average	2,188	2,975	\$80.54	11%	N/Av	\$35,000	\$41,512	10.1%
Regional	2017	155	Average	1,949	6,453	\$77.92	9%	N/Av	\$21,552	\$56,059	18.8%
Local	2017	22	Average	2,543	N/Av	\$107.91	6%	\$150,000	\$36,703	N/Av	N/Av
Regional	2017	18	Average	2,736	8,365	\$72.91	15%	\$158,111	\$96,282	\$80,000	35.0%
National	2017	38	Average	2,078	6,775	\$62.70	N/Av	N/Av	\$46,822	N/Av	N/Av

Information from the preceding survey will contribute to the estimate of development expenses classified as follows.

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 6.0%, or 3.0% for marketing and 3.0% for sales, is estimated in the marketing and sales expense category.

Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Based on the cost comparables, as well as information provided by and considering the product line under development, a direct cost estimate of \$56 per square foot is applied to the 2,329 square foot Alure floor plan and \$75 per square foot for the 1,564 square foot Indigo Place floor plan.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 15% of direct costs is considered reasonable for the subject.

Permits and Fees

Permits and fees are estimated at \$25,000 per lot, excluding fees paid at final map and those fees to be financed through the CFD No. 2018-1 Bonds.

Accrued Depreciation

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

Developer's Incentive

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. This is consistent with our survey presented earlier in this section, which ranged from 8.4% to 24.6%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

The prior table at the beginning of the Expense Projections discussion includes survey results for profit expectations of active home builders in the region.

Based on the preceding discussion and developer surveys, we have concluded an estimate of 15% for developer's incentive for the 2,329 square foot Alure floor plan and 10% for the 1,564 square foot Indigo Place floor plan.

Conclusion

Our estimates of finished lot value for the subject's lots via the extraction analysis is presented on the as follows:

Extraction Analysis**Revenue**

Average Floor Plan Size	2,329 SF	
Typical Home Price		\$438,000

Expense Projections

G&A Costs	3.00% of Retail Value	\$13,140
Marketing/Sales	6.00% of Retail Value	\$26,280
Average Direct Costs	\$56.00 per SF	\$130,424
Indirect Costs	15.00% of Direct Costs	\$19,564
Permits and Fees	\$25,000 per lot	\$25,000
In-Tracts	\$0 per lot	\$0
Developer's Incentive	15.00% of home price	\$65,700
		\$280,108

Residual Lot Value		\$157,892
	Rd.	\$160,000

Extraction Analysis**Revenue**

Average Floor Plan Size	1,564 SF	
Typical Home Price		\$391,000

Expense Projections

G&A Costs	3.00% of Retail Value	\$11,730
Marketing/Sales	6.00% of Retail Value	\$23,460
Average Direct Costs	\$75.00 per SF	\$117,300
Indirect Costs	15.00% of Direct Costs	\$17,595
Permits and Fees	\$25,000 per lot	\$25,000
In-Tracts	\$0 per lot	\$0
Developer's Incentive	10.00% of home price	\$39,100
		\$234,185

Residual Lot Value		\$156,815
	Rd.	\$160,000

Conclusion of Value

Based on the preceding valuation analyses and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Final Value Conclusions					
Component	Value Premise	Value per Parcel	No. of Parcels	Market Value	Aggregate Value
Alure by KB Home					
KB Home Coastal Inc.	Market Value per Completed	\$424,000	7	\$2,968,000	
	Market Value - Improved Lot	\$160,000	10	\$1,600,000	
Individual Homeowners	Market Value per Completed	\$424,000	<u>34</u>	\$14,416,000	\$18,984,000
			51		
Indigo Place by DR Horton					
Western Pacific Housing, Inc.	Market Value per Completed	\$391,000	17	\$6,647,000	
	Home*				
Individual Homeowners	Market Value - Improved Lot	\$160,000	2	\$320,000	
	Market Value per Completed	\$391,000	<u>35</u>	\$13,685,000	
			<u>54</u>		<u>\$20,652,000</u>
Total Cumulative, or Aggregate, Value of Appraised Properties in the District			105		\$39,636,000

* Not-less-than value based on the smallest floor plan constructed within the subdivision

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

- The market values estimated herein are based on the hypothetical condition certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The estimate of market value accounts for the impact of the Lien for the Special Taxes securing the repayment of the Bonds.

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local market, it is our opinion that the probable exposure time for the subject at the concluded market values stated previously is less than 12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period is less than 12 months.

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, made a personal inspection of the property that is the subject of this report. Kevin Ziegenmeyer, MAI, has not personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Eric Segal, MAI, and Kevin Ziegenmeyer, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558



Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
 13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
 17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
 19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
 20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
 21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
 22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
 23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
 24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

- appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
 26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
 27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
 28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. The market values estimated herein are based on the hypothetical condition certain proceeds from the Bonds will be available to fund school facilities through the payment of mitigation payments in lieu of school fees. The estimate of market value accounts for the impact of the Lien for the Special Taxes securing the repayment of the Bonds.
-

Addendum A
Appraiser Qualifications



Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

Licenses

California, Certified General, AG026558, Expires February 2021

Nevada, Certified General, A.0207666-CG, Expires January 2019

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Self-Storage Economics and Appraisal Seminar

Appraisal Litigation Practice and Courtroom Management

Hotel Valuations: New Techniques for today's Uncertain Times

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications

Supervisor-Trainee Course for California

Integra Realty Resources
Sacramento

3825 Atherton Rd
500
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com

esegal@irr.com - 916-435-3883 x228





Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

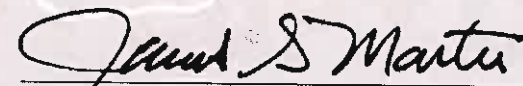
“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019

Date Expires: February 18, 2021



Jim Martin, Bureau Chief, BREA

3044479

Kevin Ziegenmeyer, MAI

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2019

Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

2004 Central CA Market Update

Computer-Enhanced Cash Flow Modeling

Forecast 2000, 2001, 2002, 2003 & 2004

Land Valuation Assignments

Integra Realty Resources
San Francisco

San Francisco, CA 95765

T 916-435-3883

F 916-435-4774

irr.com

kziegenmeyer@irr.com - 916-435-3883 x224



Kevin Ziegenmeyer, MAI

Education (Cont'd)

Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Integra Realty Resources
San Francisco

San Francisco, CA 95765

T 916-435-3883

F 916-435-4774

irr.com

kziegenmeyer@irr.com - 916-435-3883 x224





Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer


has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2017
Date Expires: June 4, 2019



Jim Martin, Bureau Chief, BREA

3034684

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com



Addendum B

Definitions



Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entitlement

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of

development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.



Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.



Addendum C
Value by Parcel



[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

COMMUNITY FACILITIES DISTRICT NO. 2018-1 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 Preliminary 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 \$31,500 per Fiscal Year, which amount shall escalate at two percent (2.00%) 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 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 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 Bonds, for each Bond Year, the sum of (a) the interest payable on such Bonds in such Bond Year, and (b) the principal amount of the Outstanding 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” means the Series 2019 Special Tax Bonds and any Parity Bonds issued pursuant to the terms of the Fiscal Agent Agreement.

“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 Bonds, which items of expense shall include, but not be limited to, costs of formation of CFD No. 2018-1, 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 Bonds and the establishment of the District, contractual reimbursements due from CFD No. 2018-1, legal fees and charges, including Bond Counsel and Disclosure Counsel, District financial consultants’ fees, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“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. 2018-1” means Community Facilities District No. 2018-1 of the Temecula Valley Unified School District.

“District Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate provided by the District, dated the Delivery Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof and with respect to any Series of Bonds, the Continuing Disclosure Certificate (or equivalent document) entered into, or executed and delivered, by and between the School District, on behalf of the District, and a dissemination agent, as originally executed and as amended from time to time.

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

(i) the excess of

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

(B) the amount that would have been earned if the yield on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (i)) had been equal to the Yield on the 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 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 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 June 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 the District 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 Bonds are Outstanding, commencing September 1, 2019.

“KB Mitigation Agreement” means that certain School Facilities Funding and Mitigation Agreement, dated as of January 16, 2018, by and between the School District and KB HOME Coastal, Inc., a California corporation.

“KB Property Sub-Account” means the sub-account of that name within the School Facilities Account of the Construction Fund established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“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 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 Bonds by totaling the following for each Bond Year:

- (1) the principal amount of all Outstanding 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 Bonds Outstanding in such Bond Year assuming the Bonds are retired as scheduled.

“Mitigation Agreements” means, collectively, the KB Mitigation Agreement and the WPH Mitigation Agreement.

“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. 2017-18-1 adopted by the Board, acting as the Legislative Body, on March 6, 2018.

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

- (1) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;
- (2) 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) Bonds paid and discharged pursuant to the provisions of the Fiscal Agent Agreement.

“Parity Bonds” means all bonds, notes or similar evidences of indebtedness later issued, payable out of the Net Taxes and which, as provided for in the Fiscal Agent Agreement, as it may be supplemented, rank on a parity with the Series 2019 Special Tax Bonds.

“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. 2017-18/30 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 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 February 20, 2018, 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. 2018-19/25 of the District adopted by the Legislative Body, dated April 16, 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.

“Series” means the Series 2019 Special Tax Bonds and/or a series of Parity Bonds, as applicable.

“Series 2019 Special Tax Bonds” means the Community Facilities District No. 2018-1 of the Temecula Valley Unified School District Series 2019 Special Tax Bonds.

“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.

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

“WPH Mitigation Agreement” means that certain School Facilities Funding and Mitigation Agreement, dated as of January 16, 2018, by and between the School District and Western Pacific Housing, Inc., a Delaware corporation.

“WPH Property Sub-Account” means the sub-account of that name within the School Facilities Account of the Construction Fund established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“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.

“2019 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 Fiscal Agent Agreement.

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 2019 BONDS – General Provisions” and “– Debt Service Schedule” in the Preliminary 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 PROCEEDS OF THE 2019 BONDS” in the Preliminary Official Statement for further information.

Limited Obligation. The 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 Bonds pursuant to the terms of the Fiscal Agent Agreement.

The 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 Bonds or interest thereon, and no Owner of the 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 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 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 Bonds and interest thereon. Neither the members of the Legislative Body or the Board nor any Persons executing the Bonds are personally liable on the 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 Preliminary Official Statement for further information).

Equality of Bonds; Pledge of Net Taxes. Pursuant to the Act and the Fiscal Agent Agreement, the Bonds shall be equally payable from the Net Taxes without priority for number, date of the Bonds, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Bonds and any 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 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 Bonds and so long as any of the 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 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 Bonds when due, such principal of and interest and premium on the Bonds shall be paid from available amounts held by the Fiscal Agent in the Special Tax Fund (and its accounts), Bond Fund, Reserve Fund or Redemption Fund under the Fiscal Agent Agreement (not including those amounts deposited in the 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 Preliminary Official Statement for further information).

Nothing in the Fiscal Agent Agreement, or any Supplement, shall preclude the redemption of any Bonds subject to call and redemption prior to maturity and payment of the 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 Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

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

(d) To the Sinking Fund Redemption Account of the Redemption Fund an amount up to the amount needed to make the Mandatory Sinking Payments due on the Bonds 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 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 Bonds.** Any funds which are required to cure any such delinquency shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

At the date of the redemption, defeasance or maturity of the last Bond and after all principal and interest then due on any Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, moneys in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose. Funds in the Special Tax Fund shall be invested in accordance with the provisions of the Fiscal Agent Agreement. Investment earnings on amounts in the Special Tax Fund, if any, shall be retained therein (see "SECURITY FOR THE BONDS – Special Tax Fund" in the Preliminary 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 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 as set forth in the Fiscal Agent Agreement. The Prepaid Special Taxes shall be transferred to the Mandatory Redemption Account and applied to call 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 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 2019 BONDS – Redemption" in the Preliminary 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 Preliminary 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 Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund available to pay principal and/or interest on such Bonds including any amount consistent with the requirements of the Redemption Fund provisions of the Fiscal Agent Agreement. Subject to the foregoing, amounts in the Bond Fund resulting from transfers from the Construction Fund pursuant to the Fiscal Agent Agreement shall be used to pay the principal of and interest on such Bonds prior to the use of any other amounts in the Bond Fund for such purpose. The Fiscal Agent shall apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Bonds on each Interest Payment Date.

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 Preliminary 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 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 (see "SECURITY FOR THE BONDS – Bond Fund" in the Preliminary 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 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. Upon the issuance of Parity Bonds, the District may establish separate accounts of the Reserve Fund applicable thereto as shall be set out in the corresponding Supplement.

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 Bonds when due to the extent that moneys in the Interest Account and the Principal Account of the Bond Fund or moneys in the Sinking Fund Redemption Account, as applicable, are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the District; (iii) making any transfers to the Bond Fund or Redemption Fund in connection with prepayments of the Special Taxes; (iv) paying the principal and interest due on Bonds in the final Bond Year; and (v) application to the defeasance of Bonds in accordance with the Fiscal Agent Agreement. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Fund Redemption Account of the Redemption Fund, as provided for in the Fiscal Agent Agreement, are insufficient to pay the principal of, including Mandatory Sinking Payments, or interest on the Bonds when due, the Fiscal Agent shall, one Business Day prior to 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 Preliminary 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 Bonds corresponding to that account. Moneys in each such account shall be applied solely for such redemption purpose (see “THE 2019 BONDS – Redemption” in the Preliminary Official Statement).

Construction Fund. The Fiscal Agent Agreement establishes the Construction Fund, in which there are established the School Facilities Account (including 2 sub-accounts therein) and the Costs of Issuance Account. Funds deposited in the Construction Fund, and the accounts and sub-accounts thereof, are not pledged to the payment of principal or interest on the Bonds.

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

Moneys in the sub-accounts of 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 Preliminary 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 Preliminary 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 Preliminary 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 2019 BONDS – Redemption” in the Preliminary Official Statement for further information.

The Fiscal Agent shall select the 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 2019 BONDS – Redemption” in the Preliminary Official Statement for further information).

Covenants

So long as any of the 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 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 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 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 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 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, 2020, 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, 2020, 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 2019 BONDS – General Provisions,” “BONDOWNERS’ RISKS – Insufficiency of the Special Tax” in the Preliminary 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 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 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 Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the District and the School District, and their respective officers and agents, from any liability in connection therewith.** If such sale for lesser amounts would result in less than full payment of principal of and interest on the Bonds, the District will use its best efforts to seek approval of the Bondowners.

The 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 Preliminary 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 Bonds, in which complete and correct entries shall be made of all transactions relating to the 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 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 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 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 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 Bonds remaining Outstanding following such tender.

Covenant 14. Conditions for the Issuance of Parity Bonds. The District may, at any time after the issuance and delivery of the Series 2019 Special Tax Bonds under the terms of the Fiscal Agent Agreement, issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund and the Reserve Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Series 2019 Special Tax Bonds under the terms of the Fiscal Agent Agreement.

Parity Bonds may be issued subject to certain additional specific conditions, which are made conditions precedent to the issuance of any such Parity Bonds pursuant to the Fiscal Agent Agreement:

(a) The aggregate principal amount of the Series 2019 Special Tax Bonds and all Parity Bonds issued may not exceed \$200,000,000; provided, however, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund less than all of the Outstanding Bonds where the issuance of such Parity Bonds conforms with the provisions and requirements of the Act and the remaining provisions of such Covenant 14, even if the total of such Outstanding Bonds exceeds \$200,000,000.

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

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

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds (or accounts thereof) into which the proceeds thereof are to be deposited including payment of all costs incidental to or connected therewith;

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

(3) The date and the maturity date or dates of such Parity Bonds; provided that

(i) each maturity date shall fall on September 1 and shall pay interest on the Interest Payment Dates,

(ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and

(iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

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

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

(6) The amount and due date of each Mandatory Sinking Payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in a reserve fund;

(8) The form of such Parity Bonds;

(9) The terms of redemption for such Parity Bonds, which shall be consistent with the terms (other than dates for redemption premium rates and amounts) specified in the Fiscal Agent Agreement;

(10) The issuance of such Parity Bonds is consistent with the applicable goals and policies of the District and the School District;

(11) Such other provisions as are necessary or appropriate and not inconsistent with the Fiscal Agent Agreement.

(d) The Fiscal Agent shall have received the following documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds from the District (unless the Fiscal Agent shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplement authorizing the issuance of such Parity Bonds;

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

(3) An opinion of Bond Counsel and/or special counsel for the District substantially to the effect that: (a) the District has the right and power under the Act to adopt, execute and deliver the Supplement to the Fiscal Agent Agreement relating to such Parity Bonds, and the Supplement to the Fiscal Agent Agreement has been duly and lawfully approved and executed by the District, the Fiscal Agent Agreement, as so supplemented, is in full force and effect and are valid and binding upon the District and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Supplement to the Fiscal Agent Agreement creates a valid pledge the Net Taxes and other amounts as provided in this Fiscal Agent Agreement, subject to the application thereof to the purposes and on the conditions permitted by the Fiscal Agent Agreement as supplemented; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Fiscal Agent Agreement and all Supplements thereto are entitled to the benefits of the Fiscal Agent Agreement and all such Supplements, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Fiscal Agent Agreement and all such Supplements; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants (and without requirement of due diligence review), the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Parity Bonds theretofore issued;

(4) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Fiscal Agent Agreement;

(5) A certificate(s) from one or more Independent Financial Consultants which, when taken together, certify that the amount of the maximum Special Taxes that may be levied by the District on then-existing Taxable Property (as defined in the Rate and Method) pursuant to the Act and the applicable resolutions and ordinances of the District in each remaining Bond Year is at least 1.10 times Annual Debt Service for each corresponding Bond Year on all Outstanding Series 2019 Special Tax Bonds theretofore issued, any Parity Bonds previously issued, and the Parity Bonds proposed to be issued. For purposes of making the certifications required by this paragraph, the Independent Financial Consultant(s) may rely on reports or certificates as may be acceptable to the District, the School District, Bond Counsel and the underwriter(s) of the proposed Parity Bonds;

(6) Written confirmation that the issuance of such Parity Bonds conforms to the provisions of Section 53345.8 of the Act and the Community Facilities District Finance Policy then applicable to the District (specifically, and in accordance with the requirements of Government Code Section 53345.8, the Legislative Body shall be provided with documentation to determine, and shall determine, that the value of the real property within the District (which is subject to the Special Taxes) is at least eight (8) times the sum of the principal amount of (i) the Outstanding Series 2019 Special Tax Bonds, (ii) then-Outstanding Parity Bonds, (iii) the Parity Bonds to be issued, and (iv) all

other bonds that are secured by a special tax pursuant to the Act or a special assessment on property within the District, such determination shall be based on the full value of such property as required under State law and upon documents presented to the Legislative Body); and

(7) Such further documents and certifications as are required by the provisions of the Fiscal Agent Agreement and the Supplement providing for the issuance of such Parity Bonds.

(e) The balance in the Reserve Fund, or one or more accounts thereof, on account established for the Parity Bonds shall be equal to the Reserve Requirement on the delivery date of such Parity Bonds.

(See “SECURITY FOR THE BONDS – Additional Bonds; Future Annexations” in the Preliminary Official Statement for further information.)

Covenant 15. Annual Reports.

(a) Annual Reports to the California Debt and Investment Advisory Commission. Not later than October 30 of each year, commencing October 30, 2019, and until the October 30 following the final maturity of the Bonds, the District shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 53359.5(b) of the Act, as it may be amended from time to time. Such information shall be made available to any Owner upon written request to the District accompanied by a fee determined by the District to pay the costs of the District in connection therewith. The District shall in no event be liable to any Owner or any other Person or entity in connection with any error in any such information.

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

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

(d) The District shall cause annual reports to be filed in conformance with the requirements of 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 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 Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the Owner of any Bonds for federal income tax purposes. (see "CONTINUING DISCLOSURE" in the Preliminary 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 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 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 Bonds, (b) a reduction in the principal amount of, or redemption premium on, any Bonds or the rate of interest thereon, (c) a preference or priority of any Bonds over any other Bonds, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplement, without, 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 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 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 Bonds as referred to in the Fiscal Agent Agreement. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the adoption of any Supplement, Bonds which are known to the Fiscal Agent to be owned by the 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 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 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 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 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 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 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 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 Preliminary 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 Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the 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 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 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 Bonds (upon presentation of the 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 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 Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the 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 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 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 Bonds, the Fiscal Agent Agreement, the Act or other applicable law with respect to the 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 Preliminary Official Statement for further information).

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

Defeasance

If all or a specified portion of the 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 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 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 Bond as and when the same shall become due and payable;

then, notwithstanding that any such 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 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 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 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 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 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 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 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 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 Bond, the Person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Bond, 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 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 Bonds shall constitute a contract between the District and the Owners (“Contract”) and the provisions of the Fiscal Agent Agreement and the 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.

[Remainder of this page intentionally left blank.]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “**Disclosure Certificate**”) is executed and delivered by Community Facilities District No. 2018-1 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 \$2,195,000 Community Facilities District No. 2018-1 of the Temecula Valley Unified School District Series 2019 Special Tax Bonds (the “**2019 Bonds**”). The 2019 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 May 7, 2019, and a Fiscal Agent Agreement (the “**Fiscal Agent Agreement**”), dated as of June 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 2019 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 May 23, 2019, prepared and distributed in connection with the initial sale of the 2019 Bonds.

“**Participating Underwriter**” shall mean Stifel, Nicolaus & Company, Incorporated, the original underwriter of the 2019 Bonds required to comply with the Rule in connection with offering of the 2019 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 2019 Bonds:
 - (i) Principal amount of the 2019 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 2019 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 2019 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 2019 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

⁽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.

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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

(c) The Dissemination Agent shall, within three business days of obtaining actual knowledge of the occurrence of any of the Listed Events, 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 2019 Bonds, (ii) prior redemption of the 2019 Bonds, (iii) payment in full of all the 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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. 2018-1 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. 2018-1
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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

Dated: June 1, 2019

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT,
on behalf of Community Facilities District No. 2018-1
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. 2018-1 of the
Temecula Valley Unified School District

Name of Bond Issue: Community Facilities District No. 2018-1 of the
Temecula Valley Unified School District
Series 2019 Special Tax Bonds

Date of Issuance: June 13, 2019

NOTICE IS HEREBY GIVEN that Community Facilities District No. 2018-1 of the Temecula Valley Unified School District (the “**Community Facilities District**”) has not provided an Annual Report with respect to the above-named 2019 Bonds as required by the Continuing Disclosure Certificate, dated as of June 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. 2018-1 of the
Temecula Valley Unified School District

cc: Special District Financing & Administration, LLC
U.S. Bank National Association, as Fiscal Agent

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the 2019 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 2019 Bonds in substantially the following form:

June 13, 2019

Board of Education
Temecula Valley Unified School District
31550 Rancho Vista Road
Temecula, CA 92592

Re: \$2,195,000 Community Facilities District No. 2018-1 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. 2018-1 of the Temecula Valley Unified School District (“District”) of \$2,195,000 aggregate principal amount of bonds designated “Community Facilities District No. 2018-1 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. 2018-19/25, 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 May 7, 2019, and the Fiscal Agent Agreement executed in connection therewith dated as of June 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,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

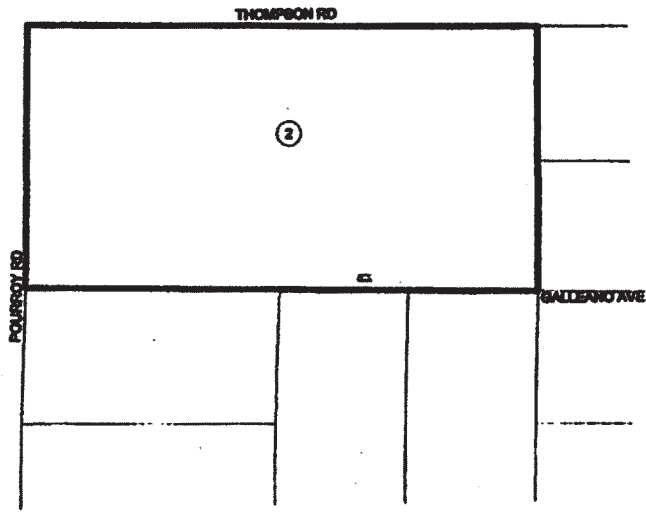
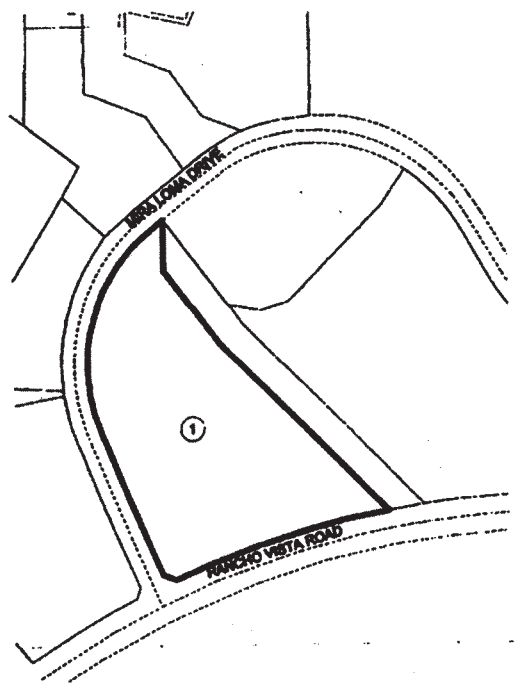
APPENDIX I

BOUNDARY MAP OF THE COMMUNITY FACILITIES DISTRICT

[THIS PAGE INTENTIONALLY LEFT BLANK]

PROPOSED BOUNDARY MAP OF TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2018-1

COUNTY OF RIVERSIDE
STATE OF CALIFORNIA



FILED IN THE OFFICE OF THE CLERK OF THE BOARD OF
EDUCATION OF THE TEMECULA VALLEY UNIFIED SCHOOL
DISTRICT THIS 2nd DAY OF JANUARY, 2018.

[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. 2018-1,
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 14th DAY OF JANUARY, 2018, BY ITS
RESOLUTION NO. 2017-10/20.

[Signature]
CLERK OF THE BOARD OF EDUCATION
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
STATE OF CALIFORNIA

FILED THIS 22nd DAY OF JANUARY, 2018, AT
THE HOUR OF 11:45 O'CLOCK A.M. IN BOOK
81 OF MAPS OF ASSESSMENT AND COMMUNITY
FACILITIES DISTRICTS AT PAGES 98 AND AS
INSTRUMENT NO. 2018-0022191 IN THE OFFICES OF
THE COUNTY RECORDER OF RIVERSIDE COUNTY, STATE OF
CALIFORNIA.
FEE: \$ 86.-

[Signature]
COUNTY RECORDER OF THE COUNTY OF RIVERSIDE
TEREK ALBANA

LEGEND:
① LOT NUMBER
--- COMMUNITY FACILITIES
DISTRICT BOUNDARY

LOT DESIGNATION			
LOT NO.	ASSESSOR'S PARCEL NO.	CITY/TOWN	LOCATION
1	044288300	25001	CITY OF TEMECULA
2	044288301	25001	COUNTY OF RIVERSIDE



SDFA
SPECIAL DISTRICT FINANCING
& ADMINISTRATION
437 WEST GRAND AVENUE
ESCONDIDO, CALIFORNIA 92025
TELEPHONE: (760)233-3830
FAX: (760)233-3831

NOTE: FOR PARTICULARS OF LINES AND
DIMENSIONS OF ASSESSOR'S PARCELS,
REFERENCE IS MADE TO THE RIVERSIDE
COUNTY ASSESSOR'S PARCEL MAPS.

SHEET	1 OF 1
DATE	JANUARY 2018
JOB NO.	CFD 2018-1