

NEW ISSUE

NOT RATED

In the opinion of James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and agreements, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum taxes imposed on individuals. Interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the accrual or receipt of interest on the Bonds. See "LEGAL MATTERS – Tax Matters" herein.

\$4,145,000

**COMMUNITY FACILITIES DISTRICT NO. 2018-1
OF THE HEMET UNIFIED SCHOOL DISTRICT
IMPROVEMENT AREA NO. 2
2024 Special Tax Bonds**

Dated: Date of Delivery

Due: September 1, as shown on the inside cover

Authority for Issuance. The bonds captioned above (the "**Bonds**") are being issued by Community Facilities District No. 2018-1 of the Hemet Unified School District (the "**Community Facilities District**") with respect to its Improvement Area No. 2 ("**Improvement Area No. 2**"). The Bonds are being issued under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (the "**Act**"), and a Fiscal Agent Agreement, dated as of March 1, 2024 (the "**Fiscal Agent Agreement**"), by and between the Hemet Unified School District (the "**District**"), on behalf of the Community Facilities District, and U.S. Bank Trust Company, National Association, as fiscal agent (the "**Fiscal Agent**").

Security and Sources of Payment. The Bonds are payable from proceeds of Special Taxes (as defined herein) levied on property within the boundaries of Improvement Area No. 2, according to the rate and method of apportionment of special tax for Improvement Area No. 2 approved by the qualified electors in the Community Facilities District and by the Governing Board (the "**Board**") of the School District, acting as the legislative body (the "**Legislative Body**") of the Community Facilities District, and subsequent proceedings of the Legislative Body, as more fully described herein. See "SECURITY FOR THE BONDS."

Use of Proceeds. The Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain school facilities and improvements of the School District and sewer and water facilities of Eastern Municipal Water District, (collectively, the "**Project**"), (ii) fund a Reserve Fund for the Bonds, (iii) fund capitalized interest with respect to the Bonds for a limited period and (iv) pay certain costs of issuing the Bonds. See "THE FINANCING PLAN" and "– Sources and Uses of Funds" herein.

Bond Terms. Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 2024. The Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"). DTC will act as securities depository for the Bonds as described herein under "THE BONDS – General Provisions."

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

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 none of the School District, the Community Facilities District (except to the limited extent described in this Official Statement), the State nor any of its political subdivisions is liable on the Bonds. Neither the faith and credit nor the taxing power of the School District or the State or any political subdivision thereof is pledged to the payment of the Bonds or interest thereon. Other than the Special Tax Revenues 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 Special Tax Revenues as more fully described in this Official Statement.

MATURITY SCHEDULE

(see inside cover)

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

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, 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 James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Bond Counsel, and Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. Kutak Rock LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the services of DTC on or about March 13, 2024.

STIFEL

MATURITY SCHEDULE

\$4,145,000
COMMUNITY FACILITIES DISTRICT NO. 2018-1
OF THE HEMET UNIFIED SCHOOL DISTRICT
IMPROVEMENT AREA NO. 2
2024 Special Tax Bonds

Base CUSIP[†]: 423540

\$310,000 Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
2025	\$5,000	5.000%	2.960%	HY2
2026	10,000	5.000	3.040	HZ9
2027	15,000	5.000	3.120	JA2
2028	20,000	5.000	3.220	JB0
2029	25,000	5.000	3.390	JC8
2030	35,000	5.000	3.540	JD6
2031	40,000	5.000	3.620	JE4
2032	45,000	5.000	3.660	JF1
2033	55,000	5.000	3.690 ^C	JG9
2034	60,000	5.000	3.720 ^C	JH7

\$435,000 – 5.000% Term Bonds maturing September 1, 2039; Yield: 4.180%^{CC}; CUSIP[†]: JJ3

\$720,000 – 5.000% Term Bonds maturing September 1, 2044; Yield: 4.500%^{CC}; CUSIP[†]: JK0

\$1,090,000 – 5.000% Term Bonds maturing September 1, 2049; Yield: 4.720%^{CC}; CUSIP[†]: JL8

\$1,590,000 – 5.000% Term Bonds maturing September 1, 2054; Yield: 4.790%^{CC}; CUSIP[†]: JM6

C: Priced to optional redemption date of September 1, 2030, at 103%.

CC: Priced to optional redemption date of September 1, 2033 at 100%.

†: CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the School District, the Underwriter or their agents or counsel take any responsibility for the accuracy of such numbers.

HEMET UNIFIED SCHOOL DISTRICT

GOVERNING BOARD

Dr. Sumanta Chaudhuri Saini, *President*
Jeremy Parsons, *Vice President*
Stacey Bailey, *Member*
Alfred Cordova Jr., *Member*
Kenneth Prado, *Member*
Patrick Searl, *Member*
Horacio Valenzuela, *Member*

ADMINISTRATION

Christi Barrett, Ph.D., *Superintendent and Secretary to the Governing Board*
R. Darrin Watters, *Deputy Superintendent, Business Services*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

BOND COUNSEL

James F. Anderson Law Firm, A Professional Corporation
Laguna Hills, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

SPECIAL TAX CONSULTANT

Special District Financing & Administration LLC
Escondido, California

APPRAISER

Integra Realty Resources, Inc.
Sacramento, California

FISCAL AGENT

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

GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the School District, the Community Facilities District, Improvement Area No. 2, any other parties described in this Official Statement, or in the condition of property within Improvement Area No. 2 since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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.

Document References and Summaries. All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

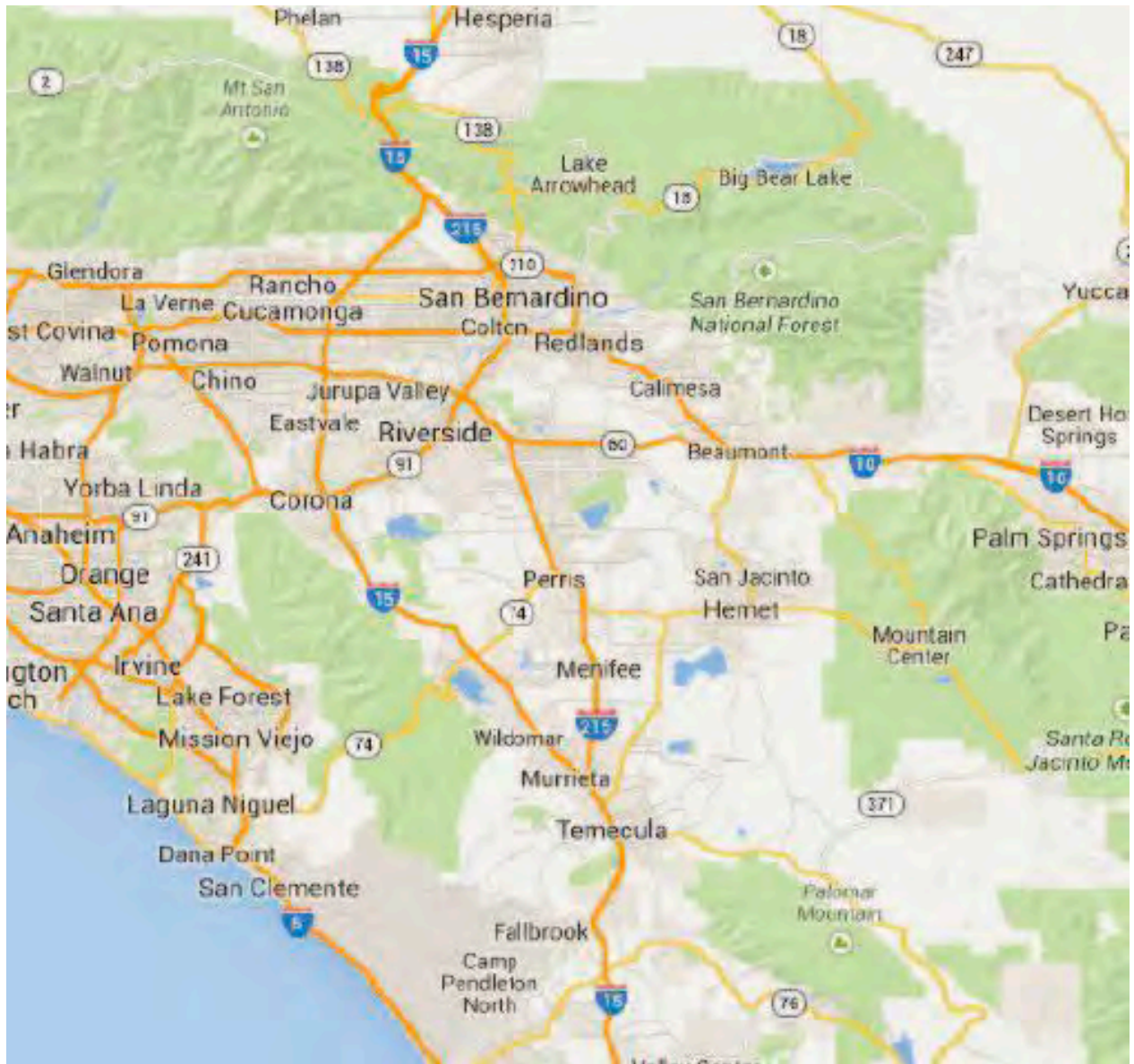
The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The School District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The School District maintains an Internet website and social media accounts, but the information on the website and social media accounts are not incorporated in this Official Statement.

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LOCATION MAP



AERIAL VIEW OF IMPROVEMENT AREA NO. 2



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OFFICIAL STATEMENT

\$4,145,000

**COMMUNITY FACILITIES DISTRICT NO. 2018-1
OF THE HEMET UNIFIED SCHOOL DISTRICT
IMPROVEMENT AREA NO. 2
2024 Special Tax Bonds**

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page, and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the definitions given in the Fiscal Agent Agreement (as defined below).

General. The Bonds are issued pursuant to the Act and a Fiscal Agent Agreement, dated as of March 1, 2024 (the “**Fiscal Agent Agreement**”), by and between the School District, on behalf of the Community Facilities District and U.S. Bank Trust Company, National Association, as fiscal agent (the “**Fiscal Agent**”). See “THE BONDS – Authority for Issuance” herein.

The Community Facilities District will covenant in the Fiscal Agent Agreement not to issue any additional bonds secured by the Special Taxes after the issuance and delivery of the Bonds, except: (i) refunding bonds pursuant to the Act and (ii) in connection with the issuance of such refunding bonds, additional bonds to finance authorized facilities provided that the annual debt service on the aggregate amount of the additional bonds for refunding purposes and to finance authorized facilities being issued is not greater than the debt service on the Bonds being refunded. Bonds issued on a parity with the Bonds (defined as “**Additional Bonds**” and, together with the Bonds, the “**Bonds**”) are payable from the Net Special Taxes and other amounts deposited in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – No Additional Bonds Except in Connection with Refunding” and in APPENDIX D. The Community Facilities District may issue additional bonds, notes or other similar evidences of indebtedness payable from Net Special Taxes which are subordinate to the Bonds.

The School District. The School District was established on July 1, 1966, as a result of the unification of the Alamos and Cottonwood Districts, the Hemet Valley Union School District, and the Hemet Union High School District. The School District covers approximately 650 square miles in the western part of Riverside County (the “**County**”). The City of Hemet (the “**City**”), the City of San Jacinto, and unincorporated communities of Idyllwild, Anza, Aguanga, and Winchester are situated within the School District’s boundaries. The City is located approximately 45 miles west of Palm Springs, 85 miles north of San Diego, 90 miles east of Los Angeles, and 35 miles southeast of Riverside. The School District’s total population is approximately 133,300.

The School District currently operates thirteen K-5 elementary schools, two K-8 schools, one K-8 dual language academy, four middle schools, one 6-12 school, three comprehensive high schools, one charter school, and three alternative schools, including one continuation high school, one K-12 Academy offering online, hybrid, and project-based learning, and one adult education program. For the 2023-24 school year, the School District's enrollment is approximately 21,000 students.

See APPENDIX A – “GENERAL INFORMATION ABOUT THE CITY OF HEMET AND THE COUNTY OF RIVERSIDE” herein.

The administration headquarters of the School District are located at 1791 W. Acacia Avenue, Hemet, California 92545. For further information on the School District, see its Internet home page at www.hemetusd.org. *This internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.*

Property Ownership. D.R. Horton Los Angeles Holding Company, Inc., a California corporation (“**D.R. Horton**” or the “**Developer**,” herein) is in the process of developing the property in Improvement Area No. 2 with an expected total of 102 detached single-family homes. As of December 15, 2023, the Developer owned 33 homes under construction (nine of which were pending sale to individual homeowners). Individual homeowners owned the remaining 69 homes as of such date, 46 of which were identified as being assigned an assessed value for land and structural improvements (other than a nominal value). For detailed information about the Developer, current land uses and proposed development plans for the property in Improvement Area No. 2, see “PROPERTY OWNERSHIP AND DEVELOPMENT.”

The Community Facilities District and Improvement Area No. 2. The Community Facilities District was formed and established by the School District on July 17, 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 and a subsequent landowner elections at which the qualified electors in each of the two respective improvement areas of the Community Facilities District, by more than a two-thirds vote, authorized the Community Facilities District to incur bonded indebtedness with respect to such improvement area for school facilities, and water and sewer facilities, and approved the levy of special taxes against Taxable Property (as defined herein) within the applicable improvement area. The aggregate not-to-exceed amount approved with respect to Improvement Area No. 2 was \$10,000,000.

The term “**Special Taxes**” is defined in the Fiscal Agent Agreement as “the special taxes authorized to be levied by the Community Facilities District in Improvement Area No. 2, in accordance with the Ordinance, the Resolution of Formation, the Act and the approval of the qualified electors therein, or otherwise permitted to be levied subsequent thereto after approval by the qualified electors of Improvement Area No. 2 in accordance with the Act, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.”

Improvement Area No. 2 comprises a portion of the Community Facilities District, located within the unincorporated community of Winchester, representing part of a larger community called Pleasant Valley Ranch. The typical lot size in Improvement Area No. 2 is 7,250 square feet.

Security and Sources of Payment for the Bonds. The Bonds are secured by and payable from a first pledge of the “**Net Special Taxes**” defined in the Fiscal Agent Agreement as “the amount of all Gross Taxes minus the Administrative Expense Requirement.” The term “**Gross Taxes**” is defined in the Fiscal Agent Agreement as (i) the amount of all collected Special Taxes for Improvement Area No. 2, (ii) proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes, and (iii) proceeds from any security for payment of Special Taxes for Improvement Area No. 2 taken in lieu of foreclosure; provided, however, that the Community Facilities District may waive payment of penalties and interest accruing in connection with delinquent Special Tax payments (but not delinquent Special Tax payments, unless authorized in accordance with Section 53356.6 of the Government Code of the State) and to the extent waived, such amounts shall not constitute Gross Taxes. The term “**Administrative Expense Requirement**” is defined in the Fiscal Agent Agreement as “an initial amount of \$33,784.87 for Fiscal Year 2023-24, escalating at 2% per Fiscal Year for each successive Fiscal Year, or such other lesser amount as directed by the Community Facilities District as necessary for administration of the Community Facilities District.” See “SECURITY FOR THE BONDS.”

The Bonds are further secured by a pledge of all moneys deposited in the Reserve Fund, subject to disposition as provided in the Fiscal Agent Agreement. The Reserve Fund will be established out of the proceeds of the sale of the Bonds, in an amount equal to the Reserve Requirement.

Purpose of the Bonds. The Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain school facilities and improvements of the School District and sewer and water facilities of Eastern Municipal Water District (“**EMWD**”) (collectively, the “**Facilities**”), (ii) fund a Reserve Fund for the Bonds, (iii) fund capitalized interest with respect to the Bonds for a limited period, and (iv) pay certain costs of issuing the Bonds.

Appraisal. An appraisal report of the land and existing improvements for the development in Improvement Area No. 2, dated January 25, 2024 (the “**Appraisal Report**”), was prepared by Integra Realty Resources, Inc., Sacramento, California (the “**Appraiser**”) in connection with issuance of the Bonds. The purpose of the Appraisal Report is to estimate the market value of the fee simple estate of 56 of 102 lots in Improvement Area No. 2 as of a December 15, 2023, date of value (the “**Date of Value**”).

Subject to the assumptions contained in the Appraisal, the Appraiser estimated that the fee simple interest in 56 parcels (23 completed homes sold and conveyed to individual homebuyers and 33 homes owned by the Developer under construction) in Improvement Area No. 2 that had not yet been assigned an assessed value for land and structural improvements (other than a nominal value), subject to the lien of the Special Taxes, had an estimated aggregate value of \$15,933,000.

In addition, 46 homes in the Improvement Area No. 2 had been assigned an assessed value for land and structural improvements (other than a nominal value) totaling \$27,222,085. The sum of the appraised value of \$15,933,000 for 23 completed homes sold and conveyed to individual homebuyers and 33 homes owned by the Developer under construction plus the assessed value of \$27,222,085 for 46 homes conveyed to individual homeowners is \$43,155,085.

Tax Matters. In the opinion of James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Bond Counsel (“**Bond Counsel**”), based on an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of

certain representations and compliance with certain covenants and agreements, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “**Code**”), and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum taxes imposed on individuals. Interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the accrual or receipt of interest on the Bonds. See “LEGAL MATTERS – Tax Matters” herein.

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

Other Information. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Bonds, certain sections of the Fiscal Agent Agreement, security for the Bonds, special risk factors, Improvement Area No. 2, the Community Facilities District, the School District, the development and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement, and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in 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 Clerk of the Board of the Hemet Unified School District, 1791 W. Acacia Avenue, Hemet, California 92545.

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 SPECIAL TAXES IN IMPROVEMENT AREA NO. 2, NO TAXES ARE PLEDGED TO THE PAYMENT OF 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 SPECIAL TAXES LEVIED WITHIN IMPROVEMENT AREA NO. 2, AS MORE FULLY DESCRIBED HEREIN.

THE FINANCING PLAN

Facilities to be Financed with Proceeds of the Bonds

The Community Facilities District will finance school facilities, and water distribution, treatment and reservoir facilities and sewer collection, conveyance, treatment and disposal facilities, and land, rights-of-way and easements necessary for any of such facilities. EMWD facilities include facilities that are included in EMWD's sewer and water capacity and connection fee programs.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be deposited into the following respective accounts and funds established under the Fiscal Agent Agreement, as follows:

SOURCES

Principal Amount of Bonds	\$4,145,000.00
Plus: Original Issue Premium	130,402.35
<i>Total Sources</i>	<u>\$4,275,402.35</u>

USES

Deposit into the School Facilities Account of the Construction Fund	\$2,353,307.15
Deposit into EMWD Facilities Account of the Construction Fund	1,223,276.25
Deposit into Capitalized Interest Account of the Construction Fund ⁽¹⁾	96,716.67
Deposit into the Reserve Fund ⁽²⁾	360,782.28
Deposit into the Costs of Issuance Account ⁽³⁾	175,000.00
Underwriter's Discount	66,320.00
<i>Total Uses</i>	<u>\$4,275,402.35</u>

(1) Represents capitalized interest with respect to the Bonds due on September 1, 2024.

(2) An amount equal to the Reserve Requirement with respect to the Bonds as of the date of delivery thereof.

(3) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the cost of printing the final Official Statement, the cost of the Appraisal Report, fees and expenses of the Fiscal Agent, the fees and expenses of the Municipal Advisor, the fees and expenses of the Special Tax Consultant, the fees of the Dissemination Agent, the costs of the Appraisal Report and repayment of developer advances.

THE BONDS

Authority for Issuance

The Bonds will be issued pursuant to the Act, the authorizations obtained and referenced herein, the Fiscal Agent Agreement and the resolution authorizing the issuance of the Bonds. See “IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 – Summary of Proceedings” herein.

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semi-annually on each March 1 and September 1, commencing September 1, 2024 (each, an “**Interest Payment Date**”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The Bonds will be issued in fully-registered form in denominations of \$5,000 each or any integral multiple thereof and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof within a single maturity. So long as the Bonds are held in book-entry form, principal of, premium, if any, and interest on the Bonds will be paid directly to DTC for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC.

Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest will be payable from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or if no interest has been paid on such Bond the interest will be payable from the date of issuance of the Bonds. “**Record Date**” means the 15th calendar day, whether or not such day is a business day, of the month preceding an Interest Payment Date.

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the owner of such Bond (the “**Bondowners**” or “**Owners**”), as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register as of the close of business on the preceding Record Date, except the Owner of at least \$1,000,000 in aggregate principal amount of Bonds may be paid by wire transfer in immediately available funds to an account of a bank or financial institution in the United States designated by such Owner if the Owner makes a written request of the Fiscal Agent on or prior to the applicable Record Date. The principal of the Bonds and any premiums due upon the redemption thereof are payable by check in lawful money of the United States of America upon presentation and surrender thereof at the Trust Office (as defined in the Fiscal Agent Agreement) of the Fiscal Agent.

Debt Service Schedule

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

Year Ending September 1	Principal	Interest	Total Debt Service
2024 ⁽¹⁾	--	\$96,716.67	\$96,716.67
2025	\$5,000.00	207,250.00	212,250.00
2026	10,000.00	207,000.00	217,000.00
2027	15,000.00	206,500.00	221,500.00
2028	20,000.00	205,750.00	225,750.00
2029	25,000.00	204,750.00	229,750.00
2030	35,000.00	203,500.00	238,500.00
2031	40,000.00	201,750.00	241,750.00
2032	45,000.00	199,750.00	244,750.00
2033	55,000.00	197,500.00	252,500.00
2034	60,000.00	194,750.00	254,750.00
2035	70,000.00	191,750.00	261,750.00
2036	80,000.00	188,250.00	268,250.00
2037	85,000.00	184,250.00	269,250.00
2038	95,000.00	180,000.00	275,000.00
2039	105,000.00	175,250.00	280,250.00
2040	120,000.00	170,000.00	290,000.00
2041	130,000.00	164,000.00	294,000.00
2042	145,000.00	157,500.00	302,500.00
2043	155,000.00	150,250.00	305,250.00
2044	170,000.00	142,500.00	312,500.00
2045	185,000.00	134,000.00	319,000.00
2046	200,000.00	124,750.00	324,750.00
2047	215,000.00	114,750.00	329,750.00
2048	235,000.00	104,000.00	339,000.00
2049	255,000.00	92,250.00	347,250.00
2050	275,000.00	79,500.00	354,500.00
2051	295,000.00	65,750.00	360,750.00
2052	315,000.00	51,000.00	366,000.00
2053	340,000.00	35,250.00	375,250.00
2054	365,000.00	18,250.00	383,250.00
Total:	\$4,145,000.00	\$4,648,466.67	\$8,793,466.67

[1] Capitalized interest funded through 9/1/2024.

Redemption

Optional Redemption. The Bonds maturing on and prior to September 1, 2030, are not subject to optional call and redemption. The Bonds maturing on and after September 1, 2031, are subject to optional call and redemption on any Interest Payment Date on or after September 1, 2030, in whole or in part, pursuant to the Act as directed by the Community Facilities District and by lot within a maturity, in integral multiples of \$5,000 from any source of funds at the following redemption prices, expressed as a percentage of the principal amount, together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2030 and March 1, 2031	103%
September 1, 2031 and March 1, 2032	102
September 1, 2032 and March 1, 2033	101
September 1, 2033 and any Interest Payment Date thereafter	100

Mandatory Redemption from Prepaid Special Taxes. The Bonds are subject to mandatory redemption prior to their stated maturities, in whole, or in part, on any Interest Payment Date 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, including amounts transferred from the Reserve Fund, as directed by the Community Facilities District, and by lot within a maturity, at the following redemption prices, expressed as a percentage of principal amount, together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through and including March 1, 2031	103%
September 1, 2031 and March 1, 2032	102
September 1, 2032 and March 1, 2033	101
September 1, 2033 and any Interest Payment Date thereafter	100

Such prepayments could be made by any of the owners of any of the property within Improvement Area No. 2, including the Developer or any individual owner; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See “BONDOWNERS’ RISKS – Extraordinary Redemption from Prepaid Special Taxes.”

Mandatory Sinking Account Redemption. The Bonds maturing September 1, 2039, September 1, 2044, September 1, 2049 and September 1, 2054 (collectively, the “**Term Bonds**”), will be called for redemption before maturity and redeemed from the Sinking Payments that have been deposited into the Redemption Fund on September 1, 2035, September 1, 2040, September 1, 2045 and September 1, 2050, respectively, and on each September 1 thereafter prior to maturity, in accordance with the schedules of Sinking Payments set forth below. The Term Bonds so called for redemption shall be redeemed at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date without premium.

Term Bonds Maturing on September 1, 2039

Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2035	\$70,000
2036	80,000
2037	85,000
2038	95,000
2039 (maturity)	105,000

Term Bonds Maturing on September 1, 2044

Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2040	\$120,000
2041	130,000
2042	145,000
2043	155,000
2044 (maturity)	170,000

Term Bonds Maturing on September 1, 2049

Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2045	\$185,000
2046	200,000
2047	215,000
2048	235,000
2049 (maturity)	255,000

Term Bonds Maturing on September 1, 2054

Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2050	\$275,000
2051	295,000
2052	315,000
2053	340,000
2054 (maturity)	365,000

To the extent there is an optional redemption of Term Bonds or a mandatory redemption from Prepaid Special Taxes (as defined in the Fiscal Agent Agreement) as described above, the Sinking Payment schedules indicated above shall be proportionately reduced pro rata pursuant to written instructions from the authorized representative for each maturity with any excess amount applied to the latest maturity or Sinking Payment date as set forth in such written instructions.

Purchase In Lieu of Redemption. In lieu or partially in lieu of call and redemption of Bonds, moneys deposited in the Redemption Fund created under the Fiscal Agent Agreement (the “**Redemption Fund**”) as set forth above may be used to purchase Outstanding Bonds in the manner hereinafter described. Purchases of Outstanding Bonds may be made by the Community Facilities District prior to the selection of Bonds for redemption by the Fiscal Agent, at public or private sale as and when and at such prices as the Community Facilities District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest and, in the case of redemption pursuant to optional redemption or mandatory redemption from Prepaid Special Taxes above, any applicable premium, and any accrued interest payable upon the purchase of Bonds may be paid from the amount in the Special Tax Fund for payment of interest on the next following Interest Payment Date.

Notice of Redemption. When Bonds are to be called for redemption, the Fiscal Agent will give notice, in the name of the Community Facilities District of the redemption of such Bonds. Such notice of redemption will (a) specify the CUSIP and bond numbers and the maturity date or dates of the Bonds selected for redemption, or if all the bonds of one maturity, are to be redeemed, the bond numbers thereof need not be specified; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be surrendered for redemption; and (e) in the case of a Bond to be redeemed only in part, state the portion of such Bond which is to be redeemed. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable.

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

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

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

as a result of the Community Facilities District's decision to rescind a redemption of any Bonds pursuant to the Fiscal Agent Agreement.

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds are to be redeemed, the Fiscal Agent will select the Bonds to be redeemed as directed by the Community Facilities District and by lot within each maturity in any manner which the Fiscal Agent deems fair; *provided, however*, that the portion of any bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that in selecting portions of such Bonds for redemption, the Fiscal Agent shall treat each such Bond as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000 and provided that any redemption from Prepaid Special Taxes shall be on a pro rata basis among maturities of the Bonds specified by the Community Facilities District to the Fiscal Agent.

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: (i) the Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Fiscal Agent Agreement, anything in the Fiscal Agent Agreement or in the Bonds to the contrary notwithstanding; (ii) upon presentation and surrender thereof at the Trust Office of the Fiscal Agent, or such other location as may be designated by the Fiscal Agent, the redemption price of such Bonds will be paid to the Owner thereof; (iii) from and after the redemption date, the Bonds or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds or portions thereof will cease to bear further interest; and (iv) from and after the date fixed for redemption, no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Fiscal Agent Agreement, or to any other rights, except with respect to payment of the redemption price, including any applicable redemption premium, and interest accrued to the redemption date from the amounts so made available.

Registration, Transfer and Exchange

The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and DTC's participants and will be subject to the procedures, rules and requirements established by DTC. See APPENDIX G.

Registration. The Fiscal Agent will keep or cause to be kept, at its Trust Office, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon reasonable prior notice by the Community Facilities District, and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds. The Community Facilities District and the Fiscal Agent may treat and consider the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all the purposes, including for payment of principal of and interest on such Bond, for the purpose of giving notices of redemption, if applicable, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond. It is the duty of the Bondowner to give written

notice to the Fiscal Agent of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Registration of Exchange or Transfer. The registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the 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 in the form set forth on the Bond or otherwise in a form approved by the Fiscal Agent. The Owner requesting such transfer is required to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Trust Office of the Fiscal Agent for a like aggregate principal amount of Bonds of other Authorized Denominations of the same maturity. The Fiscal Agent will not charge the Owner a fee for any new Bond issued upon any exchange but will require the Bondowner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

Whenever any Bond or Bonds are surrendered for registration of transfer or exchange, the Community Facilities District will execute, and the Fiscal Agent will authenticate and deliver in the name of the transferee or in the name of the existing Owner in the case of any exchange, a new Bond or Bonds of authorized denominations, of the same maturity, for a like aggregate principal amount; *provided*, that the Fiscal Agent will not be required to register transfers or make exchanges of Bonds (i) between a Record Date and the immediately succeeding Interest Payment Date, (ii) within 15 days prior to the date designated by the Fiscal Agent as the date for selecting Bonds for redemption, or (iii) selected for redemption.

SECURITY FOR THE BONDS

General

Pledge of Net Special Taxes and Funds. Subject to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Net Special Taxes and any other amounts (including proceeds of the sale of the Bonds) held in the Special Tax Fund, the Bond Fund, the Redemption Fund, the Capitalized Interest Account of the Construction Fund, and the Reserve Fund will be pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds. This pledge constitutes a first lien on such assets.

The payment of the principal of and interest on the Bonds and any redemption premiums will be exclusively paid from the Net Special Taxes and other amounts in the Bond Fund and the Reserve Fund.

The amount of Special Taxes that the Community Facilities District may levy in any year is strictly limited by the maximum rates approved by the qualified electors Improvement Area No. 2, as set forth in the Rate and Method. See “– Rate and Method” below.

Amounts in the Administrative Expense Fund, the Rebate Fund, the Construction Fund (exclusive of the Capitalized Interest Account of the Construction Fund) and the Residual School Facilities Fund are *not* pledged to the repayment of the Bonds. No part of the Project to be financed with the proceeds of the Bonds is in any way pledged to pay 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 the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Net Special Taxes. “**Net Special Taxes**” is defined in the Fiscal Agent Agreement as the amount of all Gross Taxes, less the Administrative Expense Requirement.

Gross Taxes” is defined in the Fiscal Agent Agreement as (i) the amount of all collected Special Taxes for Improvement Area No. 2, (ii) proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes, and (iii) proceeds from any security for payment of Special Taxes for Improvement Area No. 2 taken in lieu of foreclosure; *provided, however*, that the Community Facilities District may waive payment of penalties and interest accruing in connection with delinquent Special Tax payments and to the extent waived, such amounts shall not constitute Gross Taxes.

Special Taxes” is defined in the Fiscal Agent Agreement as the special taxes authorized to be levied by the Community Facilities District in Improvement Area No. 2 in accordance with the Ordinance, the Resolution of Formation, the Act and the approval of the qualified electors thereof. See “– Rate and Method” below.

Administrative Expenses” is defined in the Fiscal Agent Agreement as the ordinary and necessary fees and expenses for proceedings of the Community Facilities District, issuance of the Bonds, determination of the Special Tax and administering the levy and collection of the Special Tax and of servicing the Bonds, including any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the

Community Facilities District and the School District in carrying out their duties under the Fiscal Agent Agreement (including, but not limited to, annual audits, special tax consultants and attorneys, and costs incurred in the levying and collection of the Special Taxes, the costs incurred in the foreclosure of parcels delinquent in the payment of Special Taxes and costs of compliance with disclosure obligations of the Community Facilities District) including the fees and expenses of its counsel, an allocable share of the salaries of staff to the School District directly related thereto and a proportionate amount of general administrative overhead related thereto and all other costs and expenses of the School District (acting as administrator of the Community Facilities District), the Dissemination Agent and the Fiscal Agent incurred in connection with the discharge of their respective duties under the Fiscal Agent Agreement and, in the case of the School District, in any way related to the administration of the Community Facilities District, including “Administrative Expenses” as defined in the Rate and Method of Apportionment.

Special Taxes

In the Fiscal Agent Agreement, the Community Facilities District will covenant that, so long as any Bonds are outstanding, it will levy the Special Taxes in an amount which, together with other amounts on deposit in the Special Tax Fund and available for this purpose, is sufficient to pay the principal of and interest on the Bonds becoming due and payable during the Bond Year commencing in such fiscal year, the Administrative Expenses estimated for such year, and any amounts required to replenish the Reserve Fund to the Reserve Requirement (collectively, the **“Special Tax Requirement”**).

No assurance can be given that the amounts collected in any given year will, in fact, equal the Special Tax Requirement due to a variety of factors, including the maximum Special Tax rates and the maximum term of the Special Tax levy on each parcel of Taxable Property in Improvement Area No. 2 imposed by the Rate and Method. See “– Rate and Method” below.

Procedure for Special Tax Levy. Under the Act, the Community Facilities District will annually ascertain from the County Assessor 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 Community Facilities District will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 10 that the Bonds are Outstanding, or otherwise such that the computation of the levy is complete before the final date on which the County Auditor will accept the transmission of the Special Tax amounts for the parcels within Improvement Area No. 2 for inclusion on the next real property tax roll.

Upon the completion of the computation of the amounts of the levy, the Community Facilities District will prepare or cause to be prepared, and transmit to the County Auditor, such data as the County Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

Special Tax Levy Amount. Under the Fiscal Agent Agreement, the Community Facilities District will fix and levy the amount of Special Taxes in Improvement Area No. 2 in accordance with the Rate and Method and, subject to the limitations in the Rate and Method as to the annual Maximum Special Tax (as defined in the Rate and Method) that may be levied, in an amount sufficient to yield the following:

- the amount required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the Bond Year commencing in such Fiscal Year,
- the amount required for any necessary replenishment of the Reserve Fund, and
- the amount estimated to be sufficient to pay the Administrative Expenses during such year,

in each case taking into account the balances in the funds and accounts established under the Fiscal Agent Agreement.

Manner of Collection. The Fiscal Agent Agreement will provided that the Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as ordinary ad valorem property 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 ad valorem taxes on real property.

Rate and Method

General. The Special Tax is levied and collected according to the Rate and Method, which provides the means by which the Board may annually levy the Special Taxes in Improvement Area No. 2, up to the Maximum Special Tax, and to determine the amount of the Special Tax to be collected each Fiscal Year from the “**Taxable Property**” in Improvement Area No. 2.

The following is a synopsis of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached as APPENDIX B. The meaning of the defined terms used in this section are as set forth in APPENDIX B.

This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX B.

Special Tax Requirement. Annually, at the time of levying the Special Tax, the Board will determine the Special Tax Requirement, which will be the amount required in any Fiscal Year to pay the following:

- (i) Administrative Expenses,
- (ii) debt service on all Outstanding Bonds (as defined in the Rate and Method) due in the calendar year commencing in such Fiscal Year,
- (iii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds,
- (iv) any amounts required to replenish any reserve funds for all Outstanding Bonds,
- (v) directly for the acquisition or construction of facilities that are eligible to be financed through Improvement Area No. 2 under the Act, as reasonably determined by the School District, so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to the Undeveloped Property,

- (vi) reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within Improvement Area No. 2 levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the School District,

less a credit for funds available to reduce the annual Special Tax levy, as determined by the Deputy Superintendent, Business Services of the School District.

Developed Property, Undeveloped Property, Taxable Property, Property Owner Association Property, Public Property, or Exempt Property. The Rate and Method declares that for each Fiscal Year, all Assessor's Parcels will be classified as Taxable Property or Exempt Property and all Assessor's Parcels of Taxable Property will be classified as Developed Property, Undeveloped Property, Property Owner Association Property, or Public Property.

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

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Property Owner Association Property, or Public Property as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of Improvement Area No. 2 in the Community Facilities District which have not been prepaid pursuant to the Rate and Method or, which are not exempt from the Special Tax pursuant to law or the Rate and Method.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of Improvement Area No. 2 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, provided, however, that no such classification shall reduce the Acreage of all Taxable Property within Improvement Area No. 2 to less than 18.72 acres.

"Public Property" means, for each Fiscal Year, any property within the boundaries of Improvement Area No. 2 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably dedicated to the federal government, the State, the County, the City or any other public agency as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, provided, however, that no such classification shall reduce the Acreage of all Taxable Property within Improvement Area No. 2 to less than 18.72 Acres and provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use whichever is greater.

"Exempt Property" is defined to include any Assessor's Parcel within the boundaries of Improvement Area No. 2 that is owned or irrevocably dedicated to a public agency as of the date of formation of Improvement Area No. 2;

Notwithstanding the above, the Deputy Superintendent, Business Services of the School District will not classify an Assessor's Parcel as Exempt Property if such classification would reduce the acreage of all Taxable Property within Improvement Area No. 2 to less than 18.72 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 18.72 Acres will be required to either (i) prepay the Special Tax for such property in full at the then applicable rate per Acre for Property Owner Association Property or Public Property applied to the Acres of such property, which resulting amount will be used as the Assigned Special Tax in the calculation of the prepayment according to the Rate and Method or (ii) be subject to taxation pursuant to the third step of the method of apportionment of the Special Tax set forth in the Rate and Method.

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

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

The Assigned Special Tax for Developed Property in Fiscal Year 2023-24 ranges from \$2,324.09 to \$2,830.86 per dwelling unit. Each July 1, the Assigned Special Tax for each dwelling unit of Developed Property will be increased by 2% of the amount in effect in the prior Fiscal Year.

The "**Backup Special Tax**" is calculated based on the number of Lots created by each Final Map recorded in Improvement Area No. 2 (See "IMPROVEMENT AREA NO. 2 OF THE COMMUNITY FACILITIES DISTRICT"). The Lots have been created by a Final Map, and the Backup Special Tax for an Assessor's Parcel of Developed Property for Fiscal Year 2023-24 is \$2,864.23 per parcel within Improvement Area No. 2 (based on the Acreage of Taxable Property).

Undeveloped Property, Property Owner Association Property and Public Property. The Maximum Special Tax for Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt will be \$14,830.01 per acre for Fiscal Year 2023-24. Each July 1, the Maximum Special Tax for Undeveloped Property, Property Owner Association Property and Public Property will increase by 2% of the amount in effect in the prior Fiscal Year.

Method of Apportionment. Under the Rate and Method, the Board will levy an annual Special Tax each Fiscal Year as follows:

First: The Special Tax will be levied on each Assessor's Parcel of Developed Property in an amount equal to the applicable Assigned Special Tax.

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax will be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax for Undeveloped Property to satisfy the Special Tax Requirement.

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the

first two steps have been completed, the Special Tax will be levied Proportionately on each Assessor's Parcel of Public Property and Property Owner Association Property which is not Exempt Property at up to 100% of the Maximum Special Tax for Property Owner Association Property and Public Property to satisfy the Special Tax Requirement; and

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the levy of the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax will be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax.

Prepayment of Special Taxes. The Special Tax obligation of an Assessor's Parcel may be prepaid in full and in certain cases in part, *provided* that there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time the Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment will be determined, based on the present value of the Assigned Special Tax, all as specified in the Rate and Method, attached hereto as APPENDIX B.

Appeals. Any property owner claiming that the amount or application of any Special Tax is not correct may file a written notice of appeal with the Deputy Superintendent, Business Services of the School District not later than 12 months after having paid the first installment of the Special Tax that is disputed. The Deputy Superintendent, Business Services of the School District will promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Deputy Superintendent, Business Services of the School District's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund will not be made (except for the last year of levy), but an adjustment will be made to the annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

Duration of Special Tax Levy. The Special Tax will be levied for a term of 35 years as Developed Property from the first levy of special taxes on an applicable Assessor's Parcel as Developed Property.

Proceeds of Foreclosure Sales

Foreclosure Proceedings. 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.

Under the Fiscal Agent Agreement, on or about July 15 of each Fiscal Year (or as reasonably practicable thereafter as fiscal year end collection information is available from the County), the Community Facilities District will review or cause to be reviewed, the public records of the County in connection with the Special Tax of Improvement Area No. 2 levied in the Fiscal Year ending prior to such July to determine the amount of such Special Tax actually collected in such Fiscal Year.

(A) ***Individual Delinquencies.*** If the Community Facilities District determines that any single parcel subject to the Special Tax in Improvement Area No. 2 is delinquent in the payment of all or a portion of five semi-annual installments of Special Taxes in

Improvement Area No. 2, the Community Facilities District will, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. If a delinquency remains uncured, the Community Facilities District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 120 days after such determination against any parcel for which a notice of delinquency was given and for which such Special Taxes remain delinquent, to the extent permissible under applicable law.

(B) *Aggregate Delinquencies.* With respect to aggregate delinquencies throughout Improvement Area No. 2, if the Community Facilities District determines (i) that the total amount of delinquent Special Taxes for the prior Fiscal Year, including the total of delinquencies under Individual Delinquencies 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 as a result of a draw on such Reserve Fund, then the Community Facilities District will, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The Community Facilities District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 120 days after such determination against any parcel in Improvement Area No. 2 for which a notice of delinquency was given and for which such Special Taxes remain delinquent, to the extent permissible under applicable law; provided, however, that notwithstanding 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 foreclosure proceedings cost. The Community Facilities District shall notify the Fiscal Agent on or about 75 days after the determinations of delinquencies as set forth in the second sentence of this paragraph of any delinquency potentially requiring the commencement of a foreclosure action pursuant hereto and counsel to the Community Facilities District will commence, or cause to be commenced, such proceedings not later than 120 days following the determination referenced in the second sentence of this paragraph.

(C) *Limiting Provisions.* Notwithstanding the foregoing, however, the Community Facilities District will not be required to order, or take action upon, the commencement of foreclosure proceedings described in (A) and (B) above, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement and no draw has been made on the Reserve Fund, which has not been restored, such that the Reserve Fund will be funded to at least the Reserve Requirement. The foregoing sentence will not affect the requirement(s) for notices of delinquencies as provided for in subsection (A) above.

The net proceeds received following a judicial foreclosure sale of land in Improvement Area No. 2 resulting from a property owner's failure to pay the Special Taxes when due are included within the Net Special Taxes pledged to the payment of principal of and interest on the Bonds under 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).

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, the Community Facilities District or the Fiscal Agent, acting on behalf of the Community Facilities District, is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in the Act or such lesser amount as determined in the Fiscal Agent Agreement or otherwise under the Act.

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.

Bondowners are deemed to have consented to the foregoing reserved rights 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 Bondowners, by their acceptance of the Bonds, consent to such payment acceptance for such lesser amounts in the third paragraph preceding this paragraph and 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 as described in the preceding paragraph.

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."

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. 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 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 the 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. However, within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property 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. There is, however, no assurance that the Maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Bonds by the Fiscal Agent Agreement.

The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of Improvement Area No. 2 and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District and the Resolution of Formation provides that under no circumstances will the Special Taxes levied against any parcel in Improvement Area No. 2 be increased as a consequence of delinquency or default by the owner of any parcel or parcels in Improvement Area No. 2 by more than 10% in any fiscal year.

Special Tax Fund

Pursuant to the Fiscal Agent Agreement, no later than the last Business Day of the month in which the County Auditor of the County of Riverside makes an apportionment of tax revenues, including Special Taxes and other amounts constituting Gross Taxes, if any, and such apportionment is transferred to the Fiscal Agent on behalf of the Community Facilities District (any such apportionment being hereinafter referred to as an “**Apportionment**”) (exclusive of Prepaid Special Taxes received which shall be deposited into the Prepayment Account of the Special Tax Fund), the Fiscal Agent shall deposit such Apportionment and any other amounts constituting Net Special Taxes in the Special Tax Fund, to be held and transferred on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

(1) the Administrative Expense Fund, the amount of \$33,784.87 for Fiscal Year 2023-24, escalating at 2% per Fiscal Year for each successive Fiscal Year, or such lesser amount as is directed by the Community Facilities District;

(2) 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 is equal to the installment of interest due on the Bonds on such Interest Payment Date (taking into account amounts on deposit in the Capitalized Interest Account of the Construction Fund). Moneys in the Interest Account will be used for the payment of interest on the Bonds as the same become due;

(3) 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;

(4) the Sinking Account of the Redemption Fund an amount up to the amount needed to make the Sinking Payments due on the Bonds during the current Bond Year;

(5) the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement;

(6) provided all the amounts due in the current Bond Year are funded under (2), (3), (4), and (5) above, to the extent the Administrative Expense Requirement deposited under (1) above is not sufficient to pay the Administrative Expenses until collection of Special Taxes in the next Fiscal Year, to Administrative Expense Fund in the amount required to bring the balance therein

to an amount sufficient to pay such expenses;

(7) the Rebate Fund, the amount, if any, necessary to fund the Rebate Requirement pursuant to the Fiscal Agent Agreement; and

(8) any remaining Special Taxes and other amounts constituting Gross Taxes 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 of and interest on the Bonds (including payment of Sinking Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (5), above, or to pay current or pending Administrative Expenses as provided for in (1) and (6), above, will be, upon request of an Authorized Representative, deposited in the Residual School Facilities Fund and used in accordance with the Fiscal Agent Agreement and will be free and clear of any lien thereon or pledge under the Fiscal Agent Agreement; *provided*, any funds which are required to cure any delinquency described above will be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

There will also be deposited into the Special Tax Fund such available moneys as the Community Facilities District determines, to be applied in accordance with the Fiscal Agent Agreement, including moneys to be deposited into the Redemption Fund to be applied to the payment or redemption of Bonds pursuant to the Fiscal Agent Agreement. Upon provision for payment or redemption of all Outstanding Bonds and after payment of any amounts due to the Fiscal Agent, all moneys remaining in the Special Tax Fund will be paid to the School District and for any permissible purposes.

Moneys deposited into, or held within, the Residual School Facilities 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.

Prepayment Account of the Special Tax Fund. Prepaid Special Taxes collected by the Community Facilities District (net of any costs of collection) will be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and the Community Facilities District will direct the Fiscal Agent to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes will be held in the Prepayment Account for the benefit of the Bonds and will be transferred by the Fiscal Agent to the Redemption Account of the Redemption Fund to redeem 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 applied to redeem Bonds as set out in the Fiscal Agent Agreement. Moneys representing the Prepaid Special Taxes will 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 will be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to 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

Within the Bond Fund, the Fiscal Agent will create and hold an Interest Account and a Principal Account. The principal of and interest on the Bonds until maturity, except principal coming due upon the redemption of Bonds, will be paid by the Fiscal Agent from the Bond Fund. At the maturity of the Bonds and, after all principal and interest then due on the Bonds then Outstanding has been paid or provided for, moneys in the Bond Fund shall be transferred to the Special Tax Fund.

One Business Day prior to each Interest Payment Date, the Fiscal Agent will 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 and the Capitalized Interest Account of the Construction Fund available to pay principal and/or interest on such Bonds. The Fiscal Agent will apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Bonds on each Interest Payment Date.

Moneys in the Bond Fund shall be invested in accordance with the Fiscal Agent Agreement. All investment earnings and profits resulting from such investment will 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 will be transferred to the Special Tax Fund.

Redemption Fund

After making the deposits to the Bond Fund as described in "Bond Fund" above and to the Sinking Account of the Redemption Fund for Sinking Payments then due and in accordance with the Community Facilities District's election to call Bonds for optional redemption, the Fiscal Agent will transfer from the Special Tax Fund and deposit in the Redemption Account of the Redemption Fund moneys available for the purpose and sufficient to redeem, at the premiums payable as provided for any Bonds called for optional redemption.

Prepaid Special Taxes collected by the Community Facilities District (net of any costs of collection) will be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and the Community Facilities District will direct the Fiscal Agent in writing to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes will be held in the Prepayment Account for the benefit of the Bonds and will be transferred by the Fiscal Agent to the 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 extraordinary mandatory redemption provisions as set forth in the Fiscal Agent Agreement. No later than the Business Day prior to redemption of Bonds from Prepaid Special Taxes, the greatest portion of the Prepaid Special Taxes in the Prepayment Account as may be used to redeem Bonds will be transferred to the Redemption Account and applied to call Bonds on a pro rata basis among maturities of the Bonds specified by the Community Facilities District to the Fiscal Agent and the Community Facilities District will provide a revised Sinking payment schedule for the outstanding Term Bonds. Moneys representing the Prepaid Special Taxes will be invested in accordance with

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 will be transferred to the Special Tax Fund by the Fiscal Agent at the time of transfer of the Prepaid Special Taxes to the Redemption Fund.

Except as described in the following paragraph relating to the purchase of Bonds, moneys set aside in the Redemption Fund will be used solely for the purpose of redeeming Bonds and will be applied on or after the redemption date to the payment of principal and premium, if any of and interest on the Bonds to be redeemed upon presentation and surrender of such Bonds.

In lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Fund as set forth above may be used to purchase Outstanding Bonds in the manner described in “THE BONDS – Redemption – *Purchase in Lieu of Redemption*” above.

Reserve Fund

In order to further secure the payment of principal of and interest on the Bonds, certain proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the Reserve Requirement (see “THE FINANCING PLAN – Sources and Uses of Funds” herein). The “**Reserve Requirement**” is defined in the Fiscal Agent Agreement to mean, as of any date of calculation, an amount equal to the least of (i) 10% of the proceeds of the Bonds, (ii) Maximum Annual Debt Service on the Outstanding Bonds, or (iii) 125% of average annual debt service on the Bonds; provided, however, that the Reserve Requirement may not exceed the amount of such Reserve Requirement as determined on the date the Bonds are issued except if refunding bond are issued, and for purposes of clause (i), “proceeds” means the par amount of the Bonds, unless the Bonds are sold at a price that reflects more than 2% net original issue discount or premium, in which case “proceeds” will mean the par amount of the Bonds plus or minus, as appropriate, such original issue discount or premium. As of the Closing Date, the Reserve Requirement will be \$360,782.28.

There will 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 will thereafter be determined by the Community Facilities District and communicated to the Fiscal Agent in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as described under this caption “Reserve Fund.”

Except as provided below with respect to certain investment earnings, moneys in the Reserve Fund will be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Sinking Payments, and interest 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 Account, are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the Community Facilities 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 such 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 Account of the Redemption Fund are insufficient to pay the principal of, including Sinking Payments, or interest on the Bonds when due, the Fiscal Agent will, one Business Day prior to an Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund,

or the Sinking 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 Account of the Redemption Fund, the Fiscal Agent will notify the Community Facilities District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the Community Facilities District will include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted Maximum Special Tax rates.

Moneys in the Reserve Fund used to offset the amount required to be collected through the Special Tax levy in the last year or years of collection will be transferred to the Bond Fund or the Redemption Fund on or prior to the last day of August preceding the final maturity date; at the option of an authorized representative, such moneys may be used (i) to pay principal of and interest on the Bonds when due, (ii) for optional redemption of Bonds pursuant to the Fiscal Agent Agreement on the earliest date on which all Bonds Outstanding may be redeemed or (iii) for the purchase of Outstanding Bonds in the manner described in "THE BONDS – Redemption – *Purchase in Lieu of Redemption*," but only if, concurrently with any such redemption or purchase, all of the Bonds Outstanding are to be redeemed, refunded or purchased. In no event will amounts in the Reserve Fund be used to pay fees or expenses of the Fiscal Agent or its counsel.

Moneys in the Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. Notwithstanding any provision in the Fiscal Agent Agreement to the contrary, moneys in the Reserve Fund in excess of the Reserve Requirement (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement) will be withdrawn on each March 1 and applied as follows: (i) until such time as the Construction Fund is closed, all investment earnings on amounts in the Reserve Fund (exclusive of amounts required to be transferred to the Rebate) identified in writing by the Community Facilities District and moneys needed to restore the Reserve Fund to the Reserve Requirement will be deposited to the School Facilities Account of the Construction Fund; (ii) after the expiration of the transfers under (i) all investment earnings on amounts in the Reserve Fund since the previous Interest Payment Date (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement identified in writing by the Community Facilities District and moneys needed to restore the Reserve Fund to the Reserve Requirement) will be transferred to the Interest Account of the Bond Fund and (iii) any remaining excess will be transferred to the Principal Account of the Bond Fund or to the Sinking Account of the Redemption Fund to the extent required to make any principal payments or Sinking Payments on the next following Interest Payment Date. The Fiscal Agent will transfer moneys in the Reserve Fund in excess of the Reserve Requirement from Reserve Fund earnings upon written direction of the Community Facilities District.

Notwithstanding anything in the Fiscal Agent Agreement to the contrary, the Fiscal Agent will 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 will 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 Account of the Redemption Fund for the next Interest Payment Date.

The Reserve Requirement, or any portion thereof, may be satisfied by crediting to the Reserve Fund moneys, a letter of credit, a surety policy, or any other comparable credit facility or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement; however, the long-term unsecured debt or claims-

paying ability, as the case may be, of the provider of any such letter of credit, surety policy, or any other comparable credit facility, must have a rating of at least “A1” from Moody’s and “A+” from S&P (provided that the Fiscal Agent will be under no obligation and have no responsibility whatsoever to independently determine or verify such rating other than at the time of delivery). In the event of the use of such a surety, the Fiscal Agent will be provided with copies of all documents in regard thereto and will, to the extent not in conflict with the provisions of the Fiscal Agent Agreement, conform to the forms thereof for purposes of submitting draws and making reimbursements, thereon. See APPENDIX D for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

Construction Fund

Pursuant to the Fiscal Agent Agreement, moneys in the Construction Fund may be used exclusively to pay (i) costs of issuance and (ii) the Project costs, at the direction of the Community Facilities District, subject to investment limitations set forth in the Fiscal Agent Agreement.

Capitalized Interest Account of the Construction Fund. The Fiscal Agent will, on the Closing Date, deposit a portion of the proceeds of the Bonds into the Capitalized Interest Account. The interest on the Bonds due on September 1, 2024, shall be paid by transfer from the Capitalized Interest Account of the Construction Fund to the Interest Account of the Bond Fund not later than one Business Day prior to September 1, 2024. After September 1, 2024, and prior to February 28, 2025, the Fiscal Agent shall transfer moneys in the Capitalized Interest Account of the Construction Fund to the Interest Account of the Bond Fund and the Capitalized Interest Account shall be closed.

Administrative Expense Fund

The Fiscal Agent will receive the transfer of Special Taxes 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 School Facilities Fund

Moneys in the Residual School Facilities Fund may be used for acquisition and/or construction of the project school facilities; to make deposits to the Rebate Fund under the Fiscal Agent Agreement for the purposes of paying rebatable arbitrage as and when such is due in accordance with the Fiscal Agent Agreement or, at the option of the Community Facilities District, for the optional redemption of any of the Bonds under the Fiscal Agent Agreement.

The Residual School Facilities Fund will be funded from surplus Special Taxes transferred to the Residual School Facilities Fund from the Special Tax Fund pursuant to the Fiscal Agent Agreement.

Pursuant to the Fiscal Agent Agreement, moneys in the Residual School Facilities 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.

Investment of Moneys in Funds

Moneys held in any of the funds and accounts under the Fiscal Agent Agreement will be invested at the written direction of the authorized representative of the Community Facilities District only in Permitted Investments which will be deemed at all times to be a part of such funds and accounts.

Moneys in all funds and accounts except for the Reserve Fund and the Rebate Fund will be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Fiscal Agent for the purposes specified in the Fiscal Agent Agreement. Moneys in the Reserve Fund will be invested in Permitted Investments, maturing in such amounts on the Business Day preceding the next succeeding Interest Payment Dates so that moneys will be available in the Reserve Fund in accordance with the provisions of the Fiscal Agent Agreement to make the principal (including Sinking Payments) and interest payments on the Bonds when due in the event that the moneys in the Bond Fund are insufficient therefor or in the event that the moneys in the Redemption Fund are insufficient to make a mandatory sinking payment redemption payment; *provided, however*, that if such investments may be tendered or redeemed without premium on the Business Day prior to each Interest Payment Date, 100% of the amount of the Reserve Fund may be invested in such tenderable or redeemable investments of any maturity on or prior to maturity of the Bonds. Permitted Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Permitted Investments for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Fiscal Agent Agreement, with the exception of the Special Tax Fund and the Rebate Fund, will, at the direction of the authorized representative and upon receipt by the Fiscal Agent, be deposited to the following funds and accounts in the order of priority as follows: (i) in the Construction Fund until Completion of the Project, and (ii) in the Special Tax Fund; *provided, however*, that earnings on funds in the Reserve Fund will be retained therein to the extent needed to bring the balance therein to the Reserve Requirement. All interest, profits and other income received from the investment of moneys in the Special Tax Fund will, upon receipt by the Fiscal Agent, be retained in the Special Tax Fund.

For the purpose of determining the amount in any fund or account other than the Reserve Fund, all Permitted Investments credited to such fund or account will be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition). Amounts in the Reserve Fund will be valued at their fair market value at least semi-annually (or more frequently as may be requested by the authorized representative of the Community Facilities District). Notwithstanding the foregoing, in making any valuations, the Fiscal Agent may utilize and rely upon such securities pricing services as may be available to it, including those within its accounting system.

In the absence of written instructions from the authorized representative, the Fiscal Agent shall invest solely in Permitted Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P. To the extent that any of the requirements concerning Permitted Investments embodies a legal conclusion, the Fiscal Agent will be entitled to conclusively rely upon a certificate from the appropriate party or an opinion from counsel to such party, in form and content satisfactory to the Fiscal Agent, that such requirement has been met.

Payment of Rebate Obligation

The Community Facilities District is required to calculate the Rebate Requirement 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 and other funds available to satisfy rebate obligations, as applicable to the Bonds.

No Additional Bonds Except in Connection with Refunding

The School District, on behalf of the Community Facilities District, will covenant in the Fiscal Agent Agreement not to issue any Additional Bonds after the issuance and delivery of the Bonds, except (i) for refunding bonds pursuant to the Act and (ii) in connection with the issuance of such refunding bonds, additional bonds to finance authorized facilities provided that the annual debt service on the aggregate amount of the additional bonds for refunding purposes and to finance authorized facilities being issued is not greater than the debt service on the Bonds being refunded.

Any Additional Bonds are payable from the Net Special Taxes and other amounts deposited in the Special Tax Fund and the Reserve Fund (or an account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds under the Fiscal Agent Agreement. The Community Facilities District may issue additional bonds, notes or other similar evidences of indebtedness on a subordinate basis to the Bonds that are payable from Net Special Taxes.

No 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 program. The Special Taxes are not included in the County's Teeter Program.

IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO. 2018-1

General Information

Improvement Area No. 2 of the Community Facilities District is located within the unincorporated community of Winchester, along the north line of Simpson Road, east of Leon Road and west of Dawn Lane. Improvement Area No. 2 is planned for development of 102 single family homes in a portion of a neighborhood of homes called "Pleasant Valley Ranch." An additional 100 homes within the Pleasant Valley Ranch neighborhood are being constructed within Improvement Area No. 1 of the Community Facilities District.

Utility services for parcels within the boundaries in Improvement Area No. 2 are provided by Southern California Edison (electricity), Southern California Gas Company (natural gas), Eastern Municipal Water District (water and sewage), and Riverside County Flood Control District (stormwater).

Summary of Proceedings

The Bonds are issued pursuant to the Act and the Fiscal Agent Agreement. In addition, as required by the Act, the Board of the School District, in certain cases acting as the Legislative Body of the Community Facilities District, has taken the actions described below with respect to establishing the Community Facilities District and Improvement Area No. 2, authorizing the Special Taxes and the issuance of bonds, including the Bonds.

Summary of Formation Proceedings. Pursuant to the Act, on June 5, 2018, the Board adopted Resolution No. 2537 declaring its intention to establish the Community Facilities District and Improvement Area No. 2, and to authorize the levy of a special tax therein. On the same date, the Board adopted Resolution No. 2538 stating its intention to incur bonded indebtedness in an amount not to exceed \$10,000,000 in within Improvement Area No. 2 for the purpose of financing authorized facilities.

Resolution of Formation. Immediately following a noticed public hearing on July 17, 2018, the Board adopted Resolution No. 2558 (the "**Resolution of Formation**"), which determined the validity of prior proceedings, established the Community Facilities District and improvement areas therein, and authorized the levy of a special tax within the Community Facilities District pursuant to the Rate and Method.

Resolution of Necessity. On July 17, 2018, the Board adopted Resolution No. 2559 declaring the necessity to incur bonded indebtedness in an amount not to exceed \$20,000,000 within the Community Facilities District and submitting the respective propositions to the qualified electors of each improvement area of the Community Facilities District.

Landowner Elections and Declaration of Results. On July 17, 2018, two elections were held in the Community Facilities District, one in each improvement area of the Community Facilities District. With respect to Improvement Area No. 2, the qualified electors of Improvement Area No. 2 approved a ballot proposition authorizing the issuance of up to \$10,000,000 in bonds with respect to Improvement Area No. 2 to finance the acquisition and construction of the facilities, the levy of a special tax and the establishment of an appropriations limit for the Community Facilities District. On the same date, the Board adopted Resolution No. 2560, pursuant to which the Board approved the canvass of votes in the improvement areas of the Community Facilities District, including Improvement Area No. 2, granting authority to levy the Special Taxes, to incur the bonded indebtedness and to have the established appropriates limit.

Notice of Special Tax Lien and Levy. A Notice of Special Tax Lien with respect to Improvement Area No. 2 was recorded in the real property records of the County on July 19, 2018, as Document No. 2018-0290786.

Ordinance Levying Special Taxes. On August 7, 2018, the Board adopted Ordinance No. CFD-13 authorizing the levy of the Special Tax in the Community Facilities District.

Resolution Authorizing Issuance of the Bonds. On February 13, 2024, the Board, acting as the Legislative Body of the Community Facilities District, adopted Resolution No. 3042, approving the issuance and sale of the Bonds. The Bonds will be payable solely from annual Special Tax Revenues on a parity basis with any Additional Bonds issued to refund any of such Bonds or Bonds issued in connection with such refunding to finance authorized facilities provided that the annual debt service on the Additional Bonds being issued is not greater than the debt service on the Bonds being refunded.

Special Tax Revenues and Projected Debt Service Coverage

The Community Facilities District will covenant that no modification of the maximum authorized Special Taxes applicable to Improvement Area No. 2 will be approved by the Community Facilities District which would prohibit the Community Facilities District from levying the Special Tax on Developed Property within Improvement Area No. 2 in any Fiscal Year at such a rate as could generate Special Taxes in Improvement Area No. 2 in each Fiscal Year at least equal to 110% of Annual Debt Service with respect to such Fiscal Year plus a reasonable estimate of Administrative Expenses for such fiscal year for the Bonds. The ability of the Community Facilities District to increase the special tax levy on residential property is subject to limitations under the Act.

The debt service on the Bonds is structured such that the projected Net Special Taxes from the Assigned Special Tax on 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.

Table 1
Improvement Area No. 2
Projected Special Tax Revenues and Bonds Debt Service Coverage

Fiscal Year	No. of Permitted Units Levied	No. of Projected Units to be Levied	Total Projected Units Levied	Levy from Permitted Units	Levy from Projected Units	Total Projected Levy	Less Priority Administration	Net Special Tax Revenue	Net Bonds Debt Service ⁽¹⁾	Debt Service Coverage
2023-24	47	N/A	47	\$123,691.88	\$0.00	\$123,691.88	\$33,784.87	\$89,907.01	--	
2024-25	47	55 ⁽²⁾	102	126,165.76	146,157.32	272,323.08	34,460.56	237,862.51	\$212,250.00	112.07%
2025-26	47	55	102	128,689.07	149,080.47	277,769.54	35,149.78	242,619.76	217,000.00	111.81
2026-27	47	55	102	131,262.85	152,062.08	283,324.93	35,852.77	247,472.16	221,500.00	111.73
2027-28	47	55	102	133,888.11	155,103.32	288,991.43	36,569.83	252,421.60	225,750.00	111.81
2028-29	47	55	102	136,565.87	158,205.38	294,771.26	37,301.22	257,470.03	229,750.00	112.07
2029-30	47	55	102	139,297.19	161,369.49	300,666.68	38,047.25	262,619.43	238,500.00	110.11
2030-31	47	55	102	142,083.13	164,596.88	306,680.02	38,808.19	267,871.82	241,750.00	110.81
2031-32	47	55	102	144,924.80	167,888.82	312,813.62	39,584.36	273,229.26	244,750.00	111.64
2032-33	47	55	102	147,823.29	171,246.60	319,069.89	40,376.04	278,693.84	252,500.00	110.37
2033-34	47	55	102	150,779.76	174,671.53	325,451.29	41,183.57	284,267.72	254,750.00	111.59
2034-35	47	55	102	153,795.35	178,164.96	331,960.31	42,007.24	289,953.08	261,750.00	110.77
2035-36	47	55	102	156,871.26	181,728.26	338,599.52	42,847.38	295,752.14	268,250.00	110.25
2036-37	47	55	102	160,008.69	185,362.82	345,371.51	43,704.33	301,667.18	269,250.00	112.04
2037-38	47	55	102	163,208.86	189,070.08	352,278.94	44,578.42	307,700.52	275,000.00	111.89
2038-39	47	55	102	166,473.04	192,851.48	359,324.52	45,469.98	313,854.53	280,250.00	111.99
2039-40	47	55	102	169,802.50	196,708.51	366,511.01	46,379.38	320,131.62	290,000.00	110.39
2040-41	47	55	102	173,198.55	200,642.68	373,841.23	47,306.97	326,534.26	294,000.00	111.07
2041-42	47	55	102	176,662.52	204,655.53	381,318.05	48,253.11	333,064.94	302,500.00	110.10
2042-43	47	55	102	180,195.77	208,748.64	388,944.41	49,218.17	339,726.24	305,250.00	111.29
2043-44	47	55	102	183,799.69	212,923.62	396,723.30	50,202.54	346,520.77	312,500.00	110.89
2044-45	47	55	102	187,475.68	217,182.09	404,657.77	51,206.59	353,451.18	319,000.00	110.80
2045-46	47	55	102	191,225.19	221,525.73	412,750.92	52,230.72	360,520.20	324,750.00	111.01
2046-47	47	55	102	195,049.70	225,956.25	421,005.94	53,275.33	367,730.61	329,750.00	111.52
2047-48	47	55	102	198,950.69	230,475.37	429,426.06	54,340.84	375,085.22	339,000.00	110.64
2048-49	47	55	102	202,929.70	235,084.88	438,014.58	55,427.66	382,586.93	347,250.00	110.18
2049-50	47	55	102	206,988.30	239,786.58	446,774.87	56,536.21	390,238.66	354,500.00	110.08
2050-51	47	55	102	211,128.06	244,582.31	455,710.37	57,666.93	398,043.44	360,750.00	110.34
2051-52	47	55	102	215,350.63	249,473.95	464,824.58	58,820.27	406,004.31	366,000.00	110.93
2052-53	47	55	102	219,657.64	254,463.43	474,121.07	59,996.68	414,124.39	375,250.00	110.36
2053-54	47	55	102	224,050.79	259,552.70	483,603.49	61,196.61	422,406.88	383,250.00	110.22
Total				\$5,241,994.33	\$5,929,321.73	\$11,171,316.06	\$1,431,783.80	\$9,739,532.27	\$8,696,750.00	

(1) Reduced by capital interest to be funded with proceeds of the Bonds. See "THE FINANCING PLAN – Sources and Uses of Funds."

(2) The 55 additional lots have received a building permit as of November 1, 2023, and as such will be levied as Developed Property beginning in Fiscal Year 2024-25.

Source: Special District Financing & Administration LLC.

Appraisal Report; Assessed Values

The Appraisal. The Appraisal was prepared by the Appraiser to ascertain the market value of the fee simple estate of 56 of 102 proposed single-family detached homes and lots in Improvement Area No. 2 as of a December 15, 2023, date of value. The Appraisal was intended to comply with the reporting requirements of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report, and with the appraisal standard proposed by the California Debt and Investment Advisory Commission.

Basis for Appraisal and Assumptions. The property rights appraised were of a fee simple interest subject to easements of record, and the lien of the Special Taxes. The Appraiser appraised the 56 parcels (23 completed homes sold and conveyed to individual homebuyers and 33 homes owned by the Developer under construction) that had not been assigned an assessed value for land and structural improvements (other than a nominal value). The 46 homes owned by individual homeowners assigned an assessed value for land and structural improvements (other than a nominal value) were not appraised. The 46 completed homes which were not appraised have an aggregate assessed value of \$27,222,085.

Value Estimate. The Appraiser estimated that, as of the December 15, 2023, date of value, the fee simple interest of the 56 parcels appraised within Improvement Area No. 2 (subject to easements of record, and to the lien of the Special Taxes) had an aggregate market value of \$15,933,000. The sum of the appraised value of the 56 parcels appraised (\$15,933,000) and the assessed value of the 46 homes that had been assigned assessed values for land and structural improvements (other than a nominal value) (\$27,222,085) is \$43,155,085.

As of the December 15, 2023, date of value, there were 69 completed homes sold and conveyed to individual homebuyers, and 33 homes owned by the Developer under construction.

Special Assumptions. In addition to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraisal Report is subject to the hypothetical condition that all improvements and benefits to the subject properties that are to be funded with proceeds from the Bonds are completed and in place. The estimate of market value by the Appraiser account for the impact of the lien of Special Taxes securing the Bonds.

The School District, the Underwriter and the Community Facilities District make no representation as to the accuracy or completeness of the Appraisal. See APPENDIX C for the Summary Appraisal Report.

Special Tax Levy

The following tables show the Special Tax classification of the Taxable Property under the Rate and Method as of May 1, 2023, the Developed Property portion of which represents the units subject to the Special Tax levy for Fiscal Year 2023-24. The principal amount of the Bonds has been sized to be secured by and payable from the Net Special Taxes to be derived from Developed Property, as defined under the Rate and Method, assuming all homes are classified as Developed Property in Fiscal Year 2024-25. See "IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO. 2018-1."

The table below shows the Fiscal Year 2023-24 Assigned Special Tax Rates and the actual Special Tax Levy for the Taxable Property in Improvement Area No. 2.

Table 2a
Improvement Area No. 2
Fiscal Year 2023-24 Actual Special Tax Levy

Classification	Building Square Footage	Number of Taxable Units ⁽¹⁾	Fiscal Year 2023-24 Assigned Annual Special Tax per Unit/Acre	Fiscal Year 2023-24 Actual Special Tax per Unit/Acre	Fiscal Year 2023-24 Annual Special Taxes ⁽²⁾	Percentage of Levy Total
1	< 1,601	0	\$2,324.09	\$2,324.08	\$0.00	0.00%
2	1,601 to 1,800	0	2,369.36	2,369.36	0.00	0.00
3	1,801 to 2,000	9	2,415.73	2,415.72	21,741.48	17.58
4	2,001 to 2,200	0	2,553.74	2,553.74	0.00	0.00
5	2,201 to 2,400	8	2,600.11	2,600.10	20,800.80	16.82
6	2,401 to 2,600	20	2,692.85	2,692.84	53,856.80	43.54
7	2,601 to 2,800	10	2,729.29	2,729.28	27,292.80	22.07
8	2,801 to 3,000	0	2,784.49	2,784.48	0.00	0.00
9	> 3,000 sq. ft.	0	2,830.86	2,830.86	0.00	0.00
Non-Residential	N/A	0	14,830.01	14,830.01	0.00	0.00
Undeveloped	N/A	11.07 acres	14,830.01	0.00	0.00	0.00
Total ⁽³⁾		47			\$123,691.88	100.00%

(1) Reflects permits issued prior to May 1, 2023. There are 55 additional lots which have received a building permit as of November 1, 2023, and as such will be levied as Developed Property beginning in Fiscal Year 2024-25.

(2) Due to rounding, the annual Special Taxes levied may not match the actual Fiscal Year 2023-24 levy totals as submitted to the County.

(3) Totals may not sum due to rounding.

Source: Special District Financing & Administration LLC.

The table below shows the projected Fiscal Year 2024-25 Assigned Special Tax Rates and the projected Special Tax Levy for the Taxable Property in Improvement Area No. 2.

Table 2b
Improvement Area No. 2
Fiscal Year 2024-25 Projected Special Tax Levy

Classification	Building Square Footage	Number of Taxable Units ⁽¹⁾	Fiscal Year 2024-25 Assigned Annual Special Tax per Unit/Acre	Fiscal Year 2024-25 Projected Special Tax per Unit/Acre	Fiscal Year 2024-25 Projected Annual Special Taxes ⁽²⁾	Percentage of Levy Total
1	< 1,601	0	\$2,370.57	\$2,370.56	\$0.00	0.00%
2	1,601 to 1,800	0	2,416.74	2,416.74	0.00	0.00
3	1,801 to 2,000	22	2,464.04	2,464.04	54,208.88	19.91
4	2,001 to 2,200	0	2,604.81	2,604.80	0.00	0.00
5	2,201 to 2,400	25	2,652.11	2,652.10	66,302.50	24.35
6	2,401 to 2,600	35	2,746.71	2,746.70	96,134.50	35.30
7	2,601 to 2,800	20	2,783.87	2,783.86	55,677.20	20.45
8	2,801 to 3,000	0	2,840.18	2,840.18	0.00	0.00
9	> 3,000 sq. ft.	0	2,887.48	2,887.48	0.00	0.00
Non-Residential	N/A	0	15,126.61	15,126.60	0.00	0.00
Undeveloped	N/A	0	15,126.61	0.00	0.00	0.00
Total ⁽³⁾		102			\$272,323.08	100.00%

(1) Reflects permits issued to November 1, 2023.

(2) Due to rounding, the annual Special Taxes levied may not match the actual Fiscal Year 2024-25 levy totals as submitted to the County.

(3) Totals may not sum due to rounding.

Source: Special District Financing & Administration LLC.

The levies of Special Taxes are subject to certain limitations. For example, certain properties are exempt from the Special Tax pursuant to law or the Rate and Method. See “BONDOWNERS’ RISKS – Exempt Properties.” The annual levy of Special Taxes on each parcel is constrained by the annual Maximum Special Tax rate applicable to such parcel. See “SECURITY FOR THE BONDS – Rate and Method” and “BONDOWNERS’ RISKS – Insufficiency of the Special Tax” herein.

The amount of the Special Taxes that can be levied and collected in future years will be dependent upon, among other factors, the Special Tax rates imposed and the level of delinquent Special Tax installments. Generally, the Community Facilities District levies on Developed Property at the Special Tax rate under the Rate and Method. In any case where the annual Maximum Special Tax for an Assessor’s Parcel of Developed Property of residential property is greater than the annual Special Tax, the Community Facilities District would not expect delinquencies to be such as to require a levy at the annual Maximum Special Tax. A portion of the Special Tax Requirement is utilized for acquisition and/or construction of school facilities. In the event the Community Facilities District was to levy Special Taxes on Developed Property at less than the Assigned Special Tax, the Resolution of Formation provides that under no circumstances will the Special Taxes levied in any fiscal year against any parcel used for private

residential purposes in Improvement Area No. 2 be increased as a consequence of delinquency or default by the owner or owner of any other parcel or parcels in Improvement Area No. 2 by more than 10%. See “BONDOWNERS’ RISKS” herein.

Appraised Value to Burden Ratio

Tables 3a and 3b below show the projected value to burden ratio for the property in Improvement Area No. 2 based on the appraised values set forth in the Appraisal, and the lien represented by the principal amount of the Bonds projected for Fiscal Year 2023-24 and Fiscal Year 2024-25, respectively.

No assurance can be given that the amounts shown in this table will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes.

Table 3a
Improvement Area No. 2
Appraised and Assessed Values and Value to Burden Ratio by Property Ownership
Fiscal Year 2023-24

Property Ownership ⁽¹⁾	Number of Parcels	Appraised and Assessed Value ⁽²⁾	Pro Rata Share of Bonds ⁽³⁾	Overlapping Debt ⁽⁴⁾	Total Burden	Value to Lien Ratio	Fiscal Year 2023-24 Assigned Annual Special Tax Levy	Percentage Share of Special Tax
Individual Owners								
Completed Homes	69	\$39,787,085	\$4,145,000	\$516,506	\$4,661,506	8.54	\$123,691.88	100.00%
D.R. Horton								
Homes Under Construction	<u>33</u>	<u>3,368,000</u>	<u>0</u>	<u>43,722</u>	<u>43,722</u>	<u>77.03</u>	<u>0.00</u>	<u>0.00</u>
D.R. Horton Total	33	\$3,368,000	\$0	\$43,722	\$43,722	77.03	\$0.00	0.00%
Total	102	\$43,155,085	\$4,145,000	\$560,228	\$4,705,228	9.17	\$123,691.88	100.00%

(1) Ownership information and development classification is as detailed in the Appraisal Report as of December 15, 2023.

(2) Market value estimated by the Appraiser as of December 15, 2023, for 56 parcels and improvements thereon, and the assessed value on 46 lots identified as having been assigned assessed values for land and structural improvements (other than a nominal value), as provided by the County for Fiscal Year 2023-24, were utilized.

(3) Pro Rata Share of Bond amounts are allocated based on each parcel's proportionate share of the Special Taxes levied in Fiscal Year 2023-24.

(4) Source: California Municipal Statistics, Inc. See Table 6.

Source: *Special District Financing & Administration LLC*.

Table 3b
Improvement Area No. 2
Appraised and Assessed Values and Value to Burden Ratio by Property Ownership
Projected Fiscal Year 2024-25

Property Ownership ⁽¹⁾	Number of Parcels	Appraised and Assessed Value ⁽²⁾	Pro Rata Share of Bonds ⁽³⁾	Overlapping Debt ⁽⁴⁾	Total Burden	Value to Lien Ratio	Projected Fiscal Year 2024-25 Assigned Annual Special Tax Levy	Percentage Share of Special Tax
Individual Owners								
Completed Homes	69	\$39,787,085	\$2,809,929	\$516,506	\$3,326,434	11.96	\$184,610.00	67.79%
D.R. Horton								
Homes Under Construction	<u>33</u>	<u>3,368,000</u>	<u>1,335,071</u>	<u>43,722</u>	<u>1,378,794</u>	<u>2.44</u>	<u>87,713.08</u>	<u>32.21</u>
D.R. Horton Total	33	\$3,368,000	1,335,071	\$43,722	1,378,794	2.44	\$87,713.08	32.21%
Total	102	\$43,155,085	\$4,145,000	\$560,228	\$4,075,228	9.17	\$272,323.08	100.00%

(1) Ownership information and development classification is as detailed in the Appraisal Report as of December 15, 2023.

(2) Market value estimated by the Appraiser as of December 15, 2023, for 56 parcels and improvements thereon, and the assessed value on 46 lots identified as having been assigned assessed values for land and structural improvements (other than a nominal value), as provided by the County for Fiscal Year 2023-24 were utilized.

(3) Pro Rata Share of Bond amounts are allocated based on each parcel's proportionate share of the Special Taxes projected to be levied in Fiscal Year 2024-25.

(4) Source: California Municipal Statistics, Inc. See Table 6.

Source: *Special District Financing & Administration LLC*.

Tables 4a and 4b below show the approximate value-to-burden ratio for the Developed Property in Improvement Area No. 2 based on the appraised and assessed values and the principal amount of the Bonds, which has been allocated based on the Assigned Special Tax levy in Fiscal Year 2023-24 and the projected Assigned Special Tax Year in Fiscal Year 2024-25, respectively, together with overlapping general obligation bonds.

Table 4a
Improvement Area No. 2
Appraised and Assessed Values and Value-to-Burden Ratio
Amounts to be Levied in Improvement Area No. 2 during Fiscal Year 2023-24

Value-to-Burden Category	Number of Parcels	Total Appraised and Assessed Value ⁽¹⁾	Pro Rata Share of Bonds ⁽²⁾	Overlapping Debt ⁽³⁾	Combined Overlapping Burden	Combined Value-to-Burden Ratio ⁽⁴⁾	Fiscal Year 2023-24 Special Tax Levy ⁽⁵⁾	Percent Share of Special Tax
> 77.00 to 1	55	\$15,373,000	\$0	\$199,568	\$199,568	77.03	\$0	0.00%
7.00 - 76.99 to 1	0	0	0	0	0	N/A	0	0.00
6.00 - 6.99 to 1	36	21,586,230	3,164,803	280,227	3,445,030	6.27	94,442	76.35
< 6.00 to 1	11	6,195,855	980,197	80,433	1,060,630	5.84	29,250	23.65
Total ⁽⁶⁾	102	\$43,155,085	\$4,145,000	\$560,228	\$4,705,228	9.17	\$123,692	100.00%

(1) Market value estimated by the Appraiser as of December 15, 2023 for 56 parcels and improvements thereon, and the assessed value on 46 lots identified as having been assigned assessed values for land and structural improvements (other than a nominal value), as provided by the County for Fiscal Year 2023-24 were utilized.

(2) The Bonds are allocated based on the Fiscal Year 2023-24 Special Tax levy.

(3) Source: California Municipal Statistics. See Table 6.

(4) Ratio calculated by dividing the Total Appraised and Assessed Value column by the allocated portion of the Combined Overlapping Burden Column.

(5) Amounts shown reflect the Fiscal Year 2023-24 Special Taxes that have been levied on all properties within Improvement Area No. 2 that were issued a building permit prior to May 1, 2023. The 55 remaining lots were not levied in Fiscal Year 2023-24 but have since been issued a building permit and will be levied in Fiscal Year 2024-25.

(6) Columns may not sum to totals due to rounding.

Source: *Special District Financing & Administration LLC*.

Table 4b
Improvement Area No. 2
Appraised Values and Value-to-Burden Ratio
Projected Amounts to be Levied in Improvement Area No. 2 during Fiscal Year 2024-25

Value-to-Burden Category	Number of Parcels	Total Appraised and Assessed Value ⁽¹⁾	Pro Rata Share of Bonds	Overlapping Debt ⁽²⁾	Combined Overlapping Burden	Combined Value-to-Burden Ratio ⁽³⁾	Projected Fiscal Year 2024-25 Special Tax Levy ⁽⁴⁾	Percent Share of Special Tax
> 13.00 to 1	2	\$1,265,760	\$79,878	\$16,432	\$96,309	13.14	\$5,248	1.93%
12.00 - 12.99 to 1	29	17,435,590	1,182,498	226,344	1,408,843	12.38	77,689	28.53
11.00 - 11.99 to 1	37	20,555,735	1,505,746	266,849	1,772,595	11.60	98,926	36.33
3.00 - 10.99 to 1	1	530,000	41,807	6,880	48,688	N/A	2,747	1.01
< 3.00 to 1	33	3,368,000	1,335,071	43,722	1,378,794	2.44	87,713	32.21
Total ⁽⁵⁾	102	\$43,155,085	\$4,145,000	\$560,228	\$4,705,228	9.17	\$272,323	100.00%

(1) Market value estimated by the Appraiser as of December 15, 2023, for 56 parcels and improvements thereon, and the assessed value on 46 lots identified as having been assigned assessed values for land and structural improvements (other than a nominal value), as provided by the County for Fiscal Year 2023-24 were utilized.

(2) Source: California Municipal Statistics. See Table 6.

(3) Ratio calculated by dividing the Total Appraised and Assessed Value column by the allocated portion of the Combined Overlapping Burden Column.

(4) Amounts shown reflect the projected Fiscal Year 2024-25 Special Taxes estimated to be levied on all properties within Improvement Area No. 2 that were issued a building permit prior to May 1, 2024. As of November 1 2023 all lots had been issued a building permit and will be levied in Fiscal Year 2024-25.

(5) Columns may not sum to totals due to rounding.

Source: *Special District Financing & Administration LLC*.

See “ – Direct and Overlapping Debt,” and “BONDOWNERS’ RISKS – Value-to-Burden Ratios” for additional information about the assessed values and appraised values and for assumptions, special assumptions, and limiting conditions relating to the assessed values and appraised values.

Special Tax Delinquency History

The table below sets forth information regarding historical Special Tax levies and collections.

Table 5
Improvement Area No. 2
Historical Delinquencies and Collection Rates

Subject Fiscal Year						Current Delinquency ⁽¹⁾		
Fiscal Year Ending June 30	Parcels Levied ⁽²⁾	Total Special Tax Levied	Parcels Delinquent	Amount Delinquent as of June 30 ⁽³⁾	% Delinquent June 30	Parcels Delinquent	Amount Delinquent	Delinquency Rate
2020-21	5	\$12,667.88	0	\$0	0.00%	0	\$0.00	0.00%
2021-22	5	12,921.24	0	0	0.00	0	0.00	0.00
2022-23	46	118,626.56	0	0	0.00	0	0.00	0.00
2023-24	47	123,691.88	0	N/A	N/A	0	0.00	0.00

(1) For Fiscal Year 2022-23, the data shown reflects payments received and processed by the County as of December 10, 2023.

(2) Due to phasing of development of homes within Improvement Area No. 1 and Improvement Area No. 2, 46 lots were subject to the levy of Special Taxes in Fiscal Year, 2022-23 and all 102 lots will be levied in Fiscal Year 2024-25.

(3) Amounts delinquent as of June 30th in the fiscal year in which the Special Taxes were levied.

Source: Special District Financing & Administration LLC.

Potential Consequences of Special Tax Delinquencies

General. Future delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in Improvement Area No. 2 could result in draws on the Reserve Fund and perhaps, ultimately, a default in the payment on the Bonds.

Special Tax Enforcement and Collection Procedures. The School District could receive additional funds for the payment of debt service through foreclosures sales of delinquent property, but no assurance can be given as to the amount of foreclosure sale proceeds or when foreclosure sale proceeds would be received. The School District has covenanted in the Fiscal Agent Agreement to take certain enforcement actions and commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described herein.

Foreclosure actions would include, among other steps, formal Board action to authorize commencement of foreclosure proceedings, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable Special Taxes and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

Limitations on Increases in Special Tax Levy. If owners are delinquent in the payment of Special Taxes, the School District may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Special Tax rates specified for each category of property in Improvement Area No. 2. See “SECURITY FOR THE BONDS – Rate and Method.” In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds. See “BOND OWNERS’ RISKS.”

Concentration of Special Tax Obligation

Numerous future delinquencies by the owners of Taxable Property in Improvement Area No. 2 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.”

Direct and Overlapping Debt

The following table sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied on territory in Improvement Area No. 2 prepared by California Municipal Statistics, inc., dated as of December 4, 2023 (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. All parcels are subject to levy by other jurisdictions. The Community Facilities District and the Underwriter believes the information is current as of its date, but neither makes any 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 Improvement Area No. 2 in whole or in part. Such long-term obligations generally are not payable from property taxes, assessment or special taxes on land in Improvement Area No. 2. 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 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 Improvement Area No. 2 for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX E hereto for the form of the Continuing Disclosure Agreement of the Community Facilities District.

Table 6
Improvement Area No. 2
Detailed Direct and Overlapping Debt

2023-24 Assessed Valuation: \$30,755,263

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/4/23</u>
Metropolitan Water District	0.001%	\$152
Mount San Jacinto Community College District	0.024	56,983
Hemet Unified School District	0.194	473,164
Eastern Municipal Water District ID No. U35 and U36	0.333	28,877
Riverside County Flood Control District Zone No. 4	0.038	1,052
Hemet Unified School District CFD District No. 2018-1, I.A. 2	100.000	0 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$560,228
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.008%	\$50,640
Riverside County Pension Obligation Bonds	0.008	57,717
Hemet Unified School District Certificates of Participation	0.194	64,577
TOTAL OVERLAPPING GENERAL FUND DEBT		\$172,934
 COMBINED TOTAL DEBT		\$733,162 ⁽²⁾

Ratios to 2023-24 Local Secured Assessed Valuation:

Direct Debt (\$0)	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.82%
Combined Total Debt	2.38%

(1) Prior to the issuance of the Bonds offered for sale hereunder.

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

Source: California Municipal Statistics, Inc.

Not included in the table above or elsewhere in this Official Statement with respect to overlapping debt are assessments which may exist on properties in Improvement Area No. 2 for the benefit of the Western Riverside Council of Governments ("WRCOG") Property Assessed Clean Energy Programs, in which multiple programs the County participates as a member, through WRCOG in collaboration with its private sector partners, which provide financing for energy efficiency, renewable energy, and water conservation retrofits on residential and commercial properties. Under this program, a property owner is permitted to finance the up-front cost of energy or other eligible improvements on a property, with such costs financed over a term of years through a voluntary assessment attached to the improved property. Payments for such projects and retrofits are secured by assessments on such participating residential and commercial properties. The overlapping debt information included in this Official Statement is necessarily understated by the amount of such assessments, if any, on properties in Improvement Area No. 2.

Property Tax Rates

The table below sets forth median overall property tax rates applicable to a single-family detached home within Improvement Area No. 2 containing 2,345 building square feet, selected to represent the median effective tax rate for a home in Improvement Area No. 2 based on the Fiscal Year 2023-24 rates. The Special Tax rates and assessed values, and therefore the overall tax rates, vary among the homes. The table below also sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

Table 7
Improvement Area No. 2
Fiscal Year 2023-24 Property Tax Rates
Sample Tax Bill

APPRAISED VALUATION AND PROPERTY TAXES

Total Square Footage of Developed Taxable Property	161,774
Number of Developed Units	69
Average Developed Home Size	2,345
Average Appraised Value/Assessed Value of Developed Taxable Unit ⁽¹⁾	\$576,624

	<i>Percent of Total Assessed Valuation</i>	<i>Expected Amount to be Levied</i>
AD VALOREM PROPERTY TAXES	1.15390%	
General Purpose	1.00000	\$5,766.24
MWD East	0.00350	20.18
EMWD Improvement District U-35	0.00860	49.59
EMWD Improvement District U-36	0.00860	49.59
Mt. San Jacinto Junior College	0.01320	76.11
Hemet Unified School District	0.12000	691.95

ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES

Riverside County Flood Control	\$3.76
County Service Area #152	71.60
County Service Area #84	96.94
EMWD Infrastructure Availability Charge	26.00
MWD Standby East	6.94
Valley-Wide Regional Landscape Maintenance District 88-1	22.14
Valley-Wide Winchester CFD – Zone 17	1,003.90
Hemet Unified School District CFD No. 2018-1, IA-2	2,600.11

PROJECTED TOTAL PROPERTY TAXES	\$10,485.06
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Percent of Property Taxes to Developed Property Appraised Value:	1.81835%
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(1) The Average Appraised Value of Taxable Property is identified in the Appraisal Report as a sold or completed home. See APPENDIX C – “APPRAISAL REPORT.”

Source: Special District Financing & Administration LLC.

Overlapping Assessment and Community Facilities Districts

Except as set forth herein, the Community Facilities District is not aware of any other overlapping special tax or assessment districts for which bonded indebtedness has been issued or authorized.

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, or any other governmental agency having jurisdiction over all or a portion of the property within Improvement Area No. 2. Furthermore, nothing prevents the owners of property in Improvement Area No. 2 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 in Improvement Area No. 2 could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the ratio that exists at the time the Bonds are issued between the value of the property and the debt secured by the Special Taxes and other taxes and assessments which may be levied on such property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners in Improvement Area No. 2 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."

PROPERTY OWNERSHIP AND DEVELOPMENT

Representatives of the Developer have provided the information in this section regarding its development in Improvement Area No. 2. 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 nor does any such party make any representation as to accuracy or adequacy of this information. 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 Improvement Area No. 2 has been included because it is considered relevant to an informed evaluation of the Bonds. The inclusion in this Official Statement of information related to the Developer should not be construed to suggest that the Bonds, or the Special Taxes that will be used to pay the Bonds, are recourse obligations of the Developer or any other property owner in Improvement Area No. 2. A property owner may sell or otherwise dispose of land within Improvement Area No. 2 or a development or any interest therein at any time.

No assurance can be given that the proposed development within Improvement Area No. 2 will occur as described below. As the proposed land development progresses and parcels are sold, it is expected that the ownership of the land within Improvement Area No. 2 will become more diversified. No assurance can be given that development of the land within Improvement Area No. 2 will occur in a timely manner or in the configuration or intensity described herein, or that any landowner described herein will obtain or retain ownership of any of the land within Improvement Area No. 2.

The Bonds and the Special Taxes are not personal obligations of the Developer or any other current or subsequent landowners, and, in the event that a landowner 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 the Developer or any other current or subsequent landowner. As a result, other than as provided herein, no financial statements or information is, or will be, provided about the Developer or any other current or subsequent Landowners. The Bonds are secured solely by the Special Tax revenues and other amounts pledged under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS” and “BONDOWNERS’ RISKS.”

The Developer

As previously defined in this Official Statement “D.R. Horton” or the “Developer” is D.R. Horton Los Angeles Holding Company, Inc., a California corporation. D.R. Horton is a wholly-owned subsidiary of D.R. Horton, Inc., a Delaware corporation (“**D.R. Horton, Inc.**”). D.R. Horton, Inc. is a public company whose common stock is traded on the New York Stock Exchange under the symbol “DHI.” Founded in 1978 and headquartered in Arlington, Texas, D.R. Horton, Inc. constructs and sells homes through its operating divisions in 118 markets in 33 states under the names of D.R. 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 Securities and Exchange Commission (the “**SEC**”). Such filings, particularly, D.R. Horton, Inc.’s Annual Report on Form 10-K for the fiscal year ended September 30, 2023, as filed with the SEC on November 17, 2023, and D.R. Horton’s Quarterly Report on Form 10-Q for the quarter ended December 30, 2023, as filed with the SEC on January 24, 2024, set

forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc. and its subsidiaries, including the Developer, as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including D.R. Horton, Inc. The address of such Internet web site is www.sec.gov. 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 sites 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 these Internet sites. None of D.R. Horton or D.R. Horton, Inc. is obligated to advance funds to pay for development or construction costs or to pay ad valorem property taxes or the Special Taxes, and investors should not rely on the information and financial statements contained on such internet sites in evaluating whether to buy, hold or sell the Bonds.

The table below includes information on certain other projects under development or recently completed by the Developer in Southern California as of February 1, 2024:

Table 8
D.R. Horton Los Angeles Holding Company, Inc.
Selection of Southern California Property Development
(As of February 1, 2024)

Site Name	Location	Approximate Base Sales Price	Approximate Square Feet per Unit	Actual/Estimated Homes at Completion	Actual/Approximate Date of Final Development
Ashford Pointe	San Jacinto	\$485,990	1,898-2,311	89	09/01/2023
Brisa	Murrieta	496,990	1,576-2,537	69	06/25/2021
Del Oro	Menifee	661,990	2,319-3,015	68	10/17/2022
La Ventana	Winchester	564,990	1,576-2,617	220	03/05/2026
North Sky	Winchester	589,990	2,319-3,015	129	04/04/2024
Oakridge	Hemet	519,990	1,898-2,537	58	10/13/2022
Pradera Pointe	Winchester	482,990	1,330-2,384	210	07/31/2025
Pradera Pointe	Winchester	470,990	1,335-1,874	210	12/02/2024
Starling Pointe	San Jacinto	494,990	1,576-2,537	177	04/08/2024
Tessera	Corona	982,990	2,319-3,015	29	04/30/2023
Tres Cerritos	Hemet	519,990	1,898-2,617	176	09/04/2025
Willowbend	Perris	556,990	1,898-2,435	209	12/02/2025
Winchester Ridge	Winchester	595,000	2,052-3,015	376	09/20/2022

Source: The Developer.

Development Plan

D.R. Horton acquired the property in Improvement Area No. 2, along with Improvement Area No. 1 of the Community Facilities District, in August of 2021. D.R. Horton plans to construct a total of 102 single-family detached homes on its property within Improvement Area No. 2, which is a portion of a neighborhood development project known as "Pleasant Valley Ranch." The Pleasant Valley Ranch neighborhood is within Final Tract Map No. 30989 (recorded February 20, 2007). Within Improvement Area No. 2, D.R. Horton began entering into sales contracts with individual homeowners in March 2022, with the first home closings occurring in July 2022.

The portion of the Pleasant Valley Ranch project within Improvement Area No. 2 includes five floor plans ranging in size from approximately 1,898 square feet to approximately 2,617 square feet on lots with a typical lot size of 7,250 square feet. As of February 1, 2024, base sales prices within the Pleasant Valley Ranch averaged approximately \$593,990 to approximately \$656,725. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered.

As of February 1, 2024, D.R. Horton had completed the construction of 84 homes planned to be constructed within the portion of the Pleasant Valley Ranch neighborhood in Improvement Area No. 2, including 77 homes that had been conveyed to individual homeowners, and seven homes that were owned by D.R. Horton, four of which were pending sale to individual homeowners. As of February 1, 2024, D.R. Horton owned 18 homes under construction, 11 of which were pending sale to individual homeowners. D.R. Horton expects the last home sales and closings in Improvement Area No. 2 to occur in May 2024.

The table below details the planned and completed development by D.R. Horton of its property within Improvement Area No. 2, as of February 1, 2024.

Table 9
Improvement Area No. 2
Pleasant Valley Ranch Development Status
February 1, 2024

Floor Plan	Estimated Base Sales Prices ⁽¹⁾	Approx. Square Feet	Units Under Construction ⁽²⁾	Completed Homes ⁽²⁾	Appraised Homes with Closed Escrows to Individual Homeowners	Assessed Homes with Closed Escrows to Individual Homeowners	Total
Residence 1898	\$604,490	1,898	4	3	6	9	22
Residence 2239	593,990	2,239	6	3	8	8	25
Residence 2435 ⁽³⁾	--	2,435	0	0	0	9	9
Residence 2537	609,990	2,537	5	1	10	10	26
Residence 2617	656,725	2,617	<u>3</u>	<u>0</u>	<u>7</u>	<u>10</u>	<u>20</u>
TOTAL			18	7	31	46	102

(1) Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered.

(2) As of February 1, 2024, 11 homes under construction and four completed homes were pending sale to individual homeowners.

(3) Residence 2435 has been sold out.

Source: D.R. Horton.

No assurance can be given that home construction and sales will be carried out on the schedule and according to the plans outlined herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this Official Statement. D.R. Horton reserves the right to change its development plan at any time without notice. Additionally, homes under contract to be sold may not result in closed escrows as sales contracts are subject to cancellation. See “BONDOWNERS’ RISKS – Future Property Development” and “– Property Values.”

Infrastructure and Entitlements

Entitlement Status. The final subdivision maps for Pleasant Valley Ranch are all recorded. All discretionary entitlements are in place. As of February 1, 2024, all 102 building permits for homes within Improvement Area No. 2 have been issued, and D.R. Horton is not aware of any additional entitlements required to complete the development of its property in Improvement Area No. 2.

Required Infrastructure. All backbone infrastructure required to build-out all 102 single-family lots has been completed.

Entitlement Status. Other than certain permits required in the normal course of home construction, all discretionary entitlements required to complete the development and sales of homes in Improvement Area No. 2 have been received. All environmental approvals have been secured in order to complete the development in Improvement Area No. 2.

Conditions of Approval. None of the remaining infrastructure improvements are required to be completed as a condition of receiving building or occupancy permits. Except as described in this Official Statement and except for those consents, permits, authorizations, certifications and approvals of governmental entities required in the ordinary course of development, D.R. Horton has no actual knowledge of any impediment to construction or obtaining land use entitlements which could be reasonably expected to have a material adverse effect on its ability to complete the planned development of its property within Improvement Area No. 2 as described in the Official Statement.

Environmental Conditions. D.R. Horton represents that, to the Actual Knowledge of D.R. Horton, none of the property being developed by D.R. Horton in Improvement Area No. 2 is within a 100-year flood plain, seismic fault setback zone, or high fire hazard zone.

D.R. Horton represents that, to the Actual Knowledge of D.R. Horton, 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 Improvement Area No. 2. See the caption “BONDOWNERS’ RISKS – Factors Affecting Parcel Values and Aggregate Values – *Hazardous Substances.*”

Home Sales and Projected Absorption.

As indicated above, as of February 1, 2024, D.R. Horton has completed construction and closed escrow to individual homebuyers on 77 of the 102 homes, with respect to the portion of its Pleasant Valley Ranch neighborhood in Improvement Area No. 2, 31 of which have been appraised, and 46 of which had had been assigned an assessed value for land and structural improvements (other than a nominal value).

As of February 1, 2024, D.R. Horton estimates it will complete construction and close escrow to individual homebuyers on all of the homes with respect to its Pleasant Valley Ranch neighborhood

within Improvement Area No. 2 in May 2024.

No assurance can be given that home construction and sales will be carried out on the schedule and according to the plans outlined herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this Official Statement. Additionally, homes sold may not result in closed escrows as sales contracts are subject to cancellation. See “BONDOWNERS’ RISKS – Future Property Development” and “– Property Values.”

Financing Plan.

Pleasant Valley Ranch. As of February 1, 2024, D.R. Horton estimates that it has spent approximately \$77,084,116 on land acquisition costs, site improvement costs, direct and indirect home construction costs, permit and impact fees, direct and sales and marketing costs (exclusive of interest, internal financing repayment, and corporate overhead) related to the larger Pleasant Valley Ranch neighborhood planned for 202 homes within Improvement Area No. 1 and Improvement Area No. 2 of the Community Facilities District. As of February 1, 2024, D.R. Horton expects to spend approximately \$3,412,700 in additional site improvement costs and approximately \$6,630,298 in remaining direct and indirect home construction costs, permit and impact fees, and sales and marketing costs to complete the larger Pleasant Valley Ranch neighborhood (exclusive of internal financing repayment, corporate overhead, and other carrying costs). D.R. Horton believes that it will have sufficient funds available to complete its planned development in the Community Facilities District in accordance with the development schedule described in this Official Statement.

To date, D.R. Horton has financed its land acquisition, site development and home construction costs related to its property in Improvement Area No. 2 through internally generated funds (which may include home sales revenue and funding from its parent company). D.R. Horton expects to use internal sources to complete development of its property in Improvement Area No. 2. However, home sales revenues from D.R. Horton’s property in Improvement Area No. 2 are not segregated and set aside for completing its projects in Improvement Area No. 2. Home sales revenues are swept daily from the divisions for use in operations, to pay down debt and for other corporate purposes and might get diverted to other needs at the discretion of management.

Although D.R. Horton expects to have sufficient funds available to complete its proposed development in Improvement Area No. 2 commensurate with the development timing described in this Official Statement, there can be no assurance that amounts necessary to fund the remaining planned development of D.R. Horton’s property within Improvement Area No. 2 will be available from D.R. Horton or any other source when needed. Neither D.R. Horton nor any of its related entities, including its parent D.R. Horton, Inc., is under any legal obligation of any kind to expend funds for the development of D.R. Horton’s the property in Improvement Area No. 2, or the payment of ad valorem property taxes or the Special Taxes. Any contributions by D.R. Horton or any other entity or person to fund the costs of such development are entirely voluntary.

If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by D.R. Horton within Improvement Area No. 2, and other financing by D.R. Horton is not put into place, there could be a shortfall in the funds required to complete the planned development by D.R. Horton or to pay ad valorem property taxes or Special Taxes related to D.R. Horton’s property in Improvement Area No. 2, and the remaining portions of such development may not be completed. Many factors beyond D.R. Horton’s control, or a decision by D.R. Horton to alter its current plans, may cause the actual sources and uses to differ from the projections. See “BONDOWNERS’ RISKS” herein for a discussion of risk factors.

D.R. Horton History of Property Tax Payments; Loan Defaults; Litigation and Bankruptcy In connection with the issuance of the Bonds, an officer or authorized representative of D.R. Horton will execute a certificate containing the following representations (among others). For purposes of these representations, the following terms have the following meanings:

“Actual Knowledge of D.R. Horton” means as of the date of signing the certificate containing the following representations (the **“D.R. Horton Letter of Representations”**), the actual (as opposed to constructive) knowledge that the individual signing on behalf of D.R. Horton (the **“Authorized Representative”**) currently has or has obtained through (i) interviews with such current officers and responsible employees of D.R. Horton and its Relevant Entities (defined below) as the Authorized Representative has determined are reasonably likely, in the ordinary course of his or her respective duties, to have knowledge of the matters set forth in the D.R. Horton Letter of Representations, and/or (ii) review of documents that were reasonably available to the Authorized Representative and which the Authorized Representative has reasonably deemed necessary for the Authorized Representative to execute the D.R. Horton Letter of Representations. The Authorized Representative 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 D.R. Horton’s current business and operations. The Authorized Representative signing the D.R. Horton Letter of Representations has not contacted any individuals who are no longer employed by or associated with D.R. Horton or its Relevant Entities.

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

“Property” means the Taxable Property currently owned by D.R. Horton within Improvement Area No. 2.

“Relevant Entity” means, with respect to D.R. Horton, any other Person (i) who presently directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with D.R. Horton, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of Improvement Area No. 2 and investment decision regarding the Bonds (i.e., information regarding such Person’s assets or funds that would materially affect D.R. Horton’s ability to develop the Property as described in the Official Statement or to pay its Special Taxes on the portion of the Property then owned by D.R. Horton (to the extent the responsibility of D.R. Horton) prior to delinquency). For purposes hereof, 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 D.R. Horton, neither D.R. Horton nor any of its Relevant Entities is currently in material default on any loans, lines of credit, credit agreements, or other material contractual or financial obligations, or in breach of any applicable law, regulation, judgment or decree, and no event has occurred and is continuing that would constitute such a default or breach, the result of which could materially adversely affect the ability of D.R. Horton:

- (i) to own, develop, and sell the Property, as described in the Official Statement,
- (ii) to pay Special Taxes on the Property (to the extent the responsibility of D.R. Horton) prior to delinquency, or
- (iii) to carry on its business as described in the Official Statement.

No Litigation. To the Actual Knowledge of D.R. Horton, there is no litigation, inquiry, investigation or administrative proceeding, before or by any court, regulatory agency, public board or body pending against D.R. Horton (with service of process to D.R. Horton having been accomplished), or to the Actual Knowledge of D.R. Horton, overtly threatened in writing against D.R. Horton, or to the Actual Knowledge of D.R. Horton pending or overtly threatened in writing against any Relevant Entity of D.R. Horton, in each case which, if successful, could reasonably be expected to:

- (i) materially adversely affect the ability of D.R. Horton to own, develop, and sell the Property, as described in the Official Statement;
- (ii) materially adversely affect the ability of D.R. Horton to pay Special Taxes on the Property (to the extent the responsibility of D.R. Horton) prior to delinquency;
- (iii) materially adversely affect the ability of D.R. Horton to carry on its business as described in the Official Statement;
- (iv) challenge, question the validity or enforceability of, or restrain or enjoin the performance of, the Special Taxes, the Bonds, the Resolution authorizing the issuance of the Bonds, the Fiscal Agent Agreement, or the Purchase Agreement relating to the Bonds between the Community Facilities District and the Underwriter; or
- (v) restrain or enjoin collection of Special Taxes or other sums to be pledged to pay the principal of and interest on the Bonds.

Special Tax and Assessment Delinquencies. D.R. Horton and its Relevant Entities have been developing or have been involved in the development of numerous projects over an extended period of time. It is likely that D.R. Horton has been delinquent at one time or another in the payment of *ad valorem* property taxes, special assessments or special taxes. However, except as disclosed in the Official Statement, to the Actual Knowledge of D.R. Horton, neither D.R. Horton nor any of its Relevant Entities is currently in default in, or, in the last five years, during the period of its ownership, has ever defaulted to any material extent in, the payment of special taxes or assessments in connection with Improvement Area No. 2 or any other community facilities districts or assessment districts in California that was not cured prior to the commencement of a foreclosure action against the delinquent D. R. Horton or Relevant Entity in a court of law.

No Bankruptcy. To the Actual Knowledge of D.R. Horton, neither D.R. Horton nor any of its Relevant Entities has any proceedings pending against it (with service of process to D.R. Horton having been accomplished) or overtly threatened in writing in which D.R. Horton or any of its Relevant Entities may be adjudicated as bankrupt, become the debtor in a bankruptcy proceeding, be discharged from any or all of its respective debts or obligations, be granted an extension of time to pay its respective debts or obligations, or be granted a reorganization or readjustment of its respective debts or obligations.

BONDOWNERS' RISKS

Investment in the Bonds involves risks that may not be appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the Bonds for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations that may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

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 Improvement Area No. 2, the supply of or demand for competitive properties in such area, and the market value of properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies, (iii) natural disasters (including, without limitation, earthquakes, subsidence and floods), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction, and (iv) the impacts of a public health emergency, such as the COVID-19 pandemic, on construction and sales activity, the national and regional economy and financial circumstances of property owners in Improvement Area No. 2. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 2 to pay their Special Taxes when due and could induce or exacerbate the risks described herein.

Special Taxes Are Not Personal Obligations

The current and future owners of land within Improvement Area No. 2 are not personally liable for the payment of the Special Taxes. Rather, the Special Tax is an obligation only of the land in Improvement Area No. 2. If the value of the land within Improvement Area No. 2 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 levied and the Bonds have been issued.

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 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, nor is the Community Facilities District obligated to advance funds to pay such debt service on the Bonds.

Concentration of Ownership

Until the construction and sale of the remaining homes in Improvement Area No. 2 to individual homeowners occurs, the receipt of the Special Taxes is dependent in part on the willingness and the ability of the Developer or any successor homebuilding entity to pay their respective Special Taxes when due. Failure of the 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 Bonds, when due. No assurance can be given that the Developer, or any successors, will complete the remaining intended construction and development of the property in Improvement Area No. 2.

The actual allocation of the annual Special Tax levy will depend on the sale of completed homes to individual homeowners. No assurance can be given that the Developer or its successors, will pay Special Taxes for which each is responsible in the future or that each 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.”

Future Property Development

Continuing development of the property in Improvement Area No. 2 may be adversely affected by changes in general or local economic conditions, fluctuations in or a deterioration of the real estate market, increased construction costs, development, financing, and marketing capabilities of the Developer, water or electricity shortages, discovery on the undeveloped property of any plants or animals in their habitat that have been listed as endangered species, and other similar factors. Development in Improvement Area No. 2 may also be affected by development in surrounding areas, which may compete with the development in Improvement Area No. 2.

In addition, partially developed land is less valuable than developed land and provides less security for the Bonds (and therefore to the owners of the Bonds) should it be necessary for the Community Facilities District to foreclose on undeveloped property due to the nonpayment of Special Taxes. Moreover, failure to complete future development on a timely basis could adversely affect the land values of those parcels which have been completed. Lower land values result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of Special Taxes.

Property Value

The value of the property within Improvement Area No. 2 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the Community Facilities District’s only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires, outbreaks of disease, such as the COVID-19 pandemic, wildfires, or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes.

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

The actual market value of the property is subject to future events such as a downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental

agencies as to land use, all of which could adversely impact the value of the land in Improvement Area No. 2 which is the security for the Bonds. As discussed herein, many factors could adversely affect property values within Improvement Area No. 2.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See "SECURITY FOR THE BONDS – Special Taxes – *Proceeds of Foreclosure Sales*."

Appraised Values

The Appraisal Report appended as APPENDIX C hereto estimates the fee simple interest market value of the 56 appraised parcels which were identified as being assigned an assessed value for land and a nominal value for structural improvements within Improvement Area No. 2. This appraised 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 56 parcels appraised or an appraisal of the 46 parcels within Improvement Area No. 2, which were not appraised. A different present opinion of such value might be rendered by a different appraiser. The opinion of value relates to 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 Improvement Area No. 2 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 or assessed value thereof.

Value-to Burden Ratios

Value-to-burden 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-burden 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-burden 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-burden ratios. Further, the value-to-burden ratio 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 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, and typically do not coordinate their bond issuances. Debt issuance by an entity other than the Community Facilities District can therefore dilute value-to-

burden ratios. See “IMPROVEMENT AREA NO. 2 OF 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 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 6 herein sets forth the 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 as of the date of the information presented and furthermore states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The table does 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 in Improvement Area No. 2 securing the Bonds.

In general, as long as the Special Tax on the parcels in Improvement Area No. 2 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 or not, 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 “ – Factors Affecting Parcel Values and Aggregate Values – *Hazardous Substances*” below.

Risks Related to Availability of Mortgage Loans

In the past, events in the United States of America and world-wide capital markets have adversely affected the availability of mortgage loans to homeowners and mortgage interest rates have risen from their 2022 levels. Potential buyers of homes within Improvement Area No. 2 may be adversely affected by increases in mortgage interest rates, or any such unavailability of mortgage loans. Such events could hinder the ability of the current homeowners to resell their homes, or the sale of newly completed homes in the future.

Risks Related to Rising Interest Rates; Recent Bank Failures

On December 14, 2022, the Federal Reserve Board raised interest rates by 50 basis points, following four consecutive 75 basis point increases and the seventh rate increase in 2022. On February 1, 2023, March 22, 2023, May 3, 2023, and July 26, 2023, the Federal Reserve Board raised interest rates by 25 basis points. Increasing interest rates may increase unemployment, may affect mortgage interest rates, and may result in other economic impacts that result in lower home values. Declines in home values in Improvement Area No. 2 could result in a property owner's unwillingness or inability to pay mortgage payments, as well as ad valorem property taxes and Special Taxes, when due. Under such circumstances, bankruptcies could occur. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes.

Rising interest rates have resulted in unexpected runs on deposits of certain regional banks resulting in the Federal Deposit Insurance Corporation (the "**FDIC**") in 2023 being appointed as receiver for Silicon Valley Bank ("**SVB**") on March 10, 2023, Signature Bank ("Signature Bank"), on March 12, 2023, and First Republic Bank ("**First Republic Bank**") on May 1, 2023. At the time of appointment as receiver, SVB, a large California based bank was the 16th largest bank in the United States, Signature Bank, a large New York based bank was the 29th largest bank in the country, and as of the end of 2022, First Republic Bank, a large California based bank, was the 14th largest bank in the United States. With First Republic Bank's failure, the failures constituted the third, fourth, and second largest bank failures, respectively, in United State history. In each case, the FDIC indicated that all deposits at each institution would be honored, regardless of the dollar amount. The Authority cannot predict whether future changes in financial markets may occur which may impact interest rates, availability of mortgage loans, or availability of funding which impact home values in Improvement Area No. 2.

Availability of Property and Casualty Insurance

On May 26, 2023, State Farm General Insurance Company ("**State Farm**") announced that it would cease accepting certain new applications, including all business and personal lines property and casualty insurance effective May 27, 2023. State Farm indicated in its release that the decision was due to historic increases in construction costs outpacing inflation, rapidly growing catastrophe exposure, and a challenging reinsurance market. State Farm indicated it would work constructively with the California Department of Insurance and State policy makers to help build market capacity in California. However, it was taking this action to improve the company's financial strength and would continue to evaluate its approach based on changing market conditions. State Farm independent contractor agents licensed and authorized in California would continue to serve existing customers for these products and new customers for products not impacted by the decision. Any adverse impact of the foregoing on the homeowners in Improvement Area No. 2 and the real estate market in general cannot be predicted. The Authority cannot predict whether future changes in insurance markets may occur which adversely impact insurance costs or availability of property and casualty insurance which may impact home values in Improvement Area No. 2. In November 2022, Allstate Corporation stopped issuing property and casualty coverage to new California customers. In the summer of 2023, Allstate Corporation announced the company would stop accepting insurance applications for all business and personal property in California.

Disclosure to Future Purchasers

The Community Facilities District has recorded (i) a Notice of Special Tax Lien with respect to Improvement Area No. 2 in the Office of the Riverside County Recorder on July 19, 2018, as Document No. 2018-0290786. 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 Improvement Area No. 2 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 Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers, other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

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 such community facilities district.

Under provisions of the Act, the Special Taxes are billed to the properties in Improvement Area No. 2 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 in Improvement Area No. 2 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.”

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 in Improvement Area No. 2. The annual levy of the Special Tax is subject to the maximum tax rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Other funds 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 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 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, including the effects of the annual Special Tax Requirement. 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 in Improvement Area No. 2. 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 Improvement Area No. 2. 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 in Improvement Area No. 2 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 in Improvement Area No. 2 is 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 in Improvement Area No. 2 at the maximum 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 having delinquent Special Tax installments may be limited in certain respects with regard to properties in which the FDIC, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Drug Enforcement Agency, the Internal Revenue Service (the "IRS") or other similar federal governmental agencies has or obtains an interest. See "BONDOWNERS' RISKS – Payments by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies" herein.

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 Service Members Civil Relief Act (CFRA) of 2003 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 the 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 in Improvement Area No. 2 in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would likely reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale.

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

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

If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Community Facilities District) must cause a 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 aggregate principal amount of the 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 do *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. However, within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property in Improvement Area No. 2 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. There is, however, no assurance that the Maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Bonds by the Fiscal Agent Agreement. The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of Improvement Area No. 2 and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District and the Resolution of Formation provides that under no circumstances will the Special Taxes levied against any parcel in Improvement Area No. 2 be increased as a consequence of delinquency or default by the owner of any parcel or parcels in Improvement Area No. 2 by more than ten percent (10%) in any fiscal year. See "SECURITY FOR THE BONDS – Rate and Method."

Bankruptcy and Foreclosure Delay

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

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

Although bankruptcy proceedings would not cause the obligation to pay the Special Tax to become extinguished, bankruptcy of a property owner in Improvement Area No. 2 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 in Improvement Area No. 2 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 Improvement Area No. 2 is owned by any one property owner, and Special Taxes have been levied on such property, 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 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 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.

Payments 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 IRS, 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 a 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 in Improvement Area No. 2 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 in Improvement Area No. 2 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 July 1, 2023, the FDIC did not own any of the property in Improvement Area No. 2. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Mortgage Interests. 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, the “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 in Improvement Area No. 2 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 Improvement Area No. 2 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, climatic conditions such as tornadoes, droughts, and pandemics, such as the COVID-19 pandemic, and the possible reduction in water allocation or availability. It can be expected 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. Improvement Area No. 2, like all California communities, may be subject to unpredictable seismic activity. The occurrence of seismic activity in Improvement Area No. 2 could result in substantial damage to properties in Improvement Area No. 2 which, in turn, could substantially reduce the value of such properties and could affect 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. Improvement Area No. 2 is located in a seismically active region in Southern California. Active faults which could cause significant ground shaking in the nearby area include three of the State’s most active faults: the San Andreas, San Jacinto, and Elsinore Faults. Most of Southern California shares this risk, and earthquakes of a large magnitude are possible.

In the event of a severe earthquake, there may be significant damage to both property and infrastructure in Improvement Area No. 2. As a result, the property owners may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund may eventually become

depleted. In addition, the value of land in Improvement Area No. 2 could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes. Development in Improvement Area No. 2 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 in Improvement Area No. 2.

According to the Seismic Safety Commission, Improvement Area No. 2 is located within Zone 3, which is considered to be the lowest risk zone in California. Though properties located east of Improvement Area No. 2 are noted as being within earthquake fault zones. There are only two zones in California: Zone 4, which is assigned to areas near major faults, and Zone 3, which is assigned to all other areas of more moderate seismic activity.

Drought Conditions. During the October 1, 2020, through September 30, 2021, rainfall season, most areas in California experienced below normal levels of rainfall. On May 10, 2021, Governor Newsom expanded a drought emergency declaration to include 41 counties that encompass the Klamath River, Sacramento-San Joaquin Delta, and Tulare Lake watersheds due to an acute water supply shortage in the northern and central parts of the State. On July 8, 2021, the Governor expanded the drought emergency to include 50 of the State's 58 counties. On October 19, 2021, the Governor expanded the drought emergency to include all of the State's 58 counties and requires local water suppliers to implement water shortage contingency plans that are responsive to local conditions and prepare for the possibility of a third dry year. The Governor's office indicated at that time that the State was experiencing its worst drought since the late 1800's, as measured by both lack of precipitation and high temperatures.

In January 2022, the California State Water Resources Control Board (the "**Water Board**") adopted emergency regulations aimed at saving water and raising drought awareness, with prohibitions focused on reducing outdoor water use, enforceable by local agencies and the Water Board, including with warning letters, mandatory water use audits, and fines. Local water agencies can impose and enforce their own drought conservation rules. There can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in future years.

The Community Facilities District cannot predict whether recent drought conditions will continue, or 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 in Improvement Area No. 2, 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. For example, the seven largest recorded wildfires to occur in California since 1932, when more accurate records began being kept, have occurred in northern and central California since 2017. In November 2018, the Camp Fire, in Butte County, northern California, destroyed over 18,000 structures, and the towns of Paradise and Concow were almost completely destroyed. While the Community Facilities District is not aware of any particular risk of wildfire within Improvement Area No. 2, there can be no assurances that wildfires will not occur within or near Improvement Area No. 2. Property damage due to wildfire could result in a significant decrease in the assessed value and/or market value of property in Improvement Area No. 2 and in the ability or willingness of property owners to pay Special Taxes

when due. State law requires that all local jurisdictions identify very high fire hazard severity zones within their areas of jurisdiction. Inclusion within these zones is based on vegetation density, slope severity and other relevant factors that contribute to fire severity. Improvement Area No. 2 is not located within a Very High Fire Severity Zone, but there are such zones approximately .5 miles to the north and approximately 1 mile to the south of Improvement Area No. 2. The eastern areas of the School District's boundaries are in a mountainous area which is more susceptible to wildfires. During the fires in September 2022, the School District lost an abandoned single portable classroom building in Simpson Park in the foothills south of Hemet High School. There has been no serious damage to the School District property from wildfires.

Climate Change. In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property in Improvement Area No. 2. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity, and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and raising sea levels. See also " – Drought Conditions," and " – Wildfires" above. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the Community Facilities District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the Community Facilities District and the School District are unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

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 in Improvement Area No. 2 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) may be obligated to remedy a hazardous substance condition of a property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any parcel within Improvement Area No. 2 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 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 property in Improvement Area No. 2 as forth in the Appraisal Report does 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.

Legal Requirements. Other events which may affect the value of a parcel of Taxable Property in Improvement Area No. 2 include changes in law or application of law. 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.

Extraordinary Redemption from Prepaid Special Taxes

The Bonds are subject to mandatory call and redemption prior to maturity, as a whole or in part on any Interest Payment Date from amounts in the Prepayment Account in the Special Tax Fund available to redeem Bonds under the Fiscal Agent Agreement. Prepayments could be made by any of the owners of any of the property in Improvement Area No. 2 and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of Bonds that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds. See "THE BONDS – Redemption – *Mandatory Redemption from Prepaid Special Taxes.*"

No Acceleration Provisions

The Fiscal Agent Agreement provides that the Bonds are not subject to acceleration in the payment of interest or principal. In the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement the Bonds are not subject to acceleration. 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. So long as the Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies as the Bondowner.

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 Improvement Area No. 2 pursuant to the Act, more than two-thirds of the qualified electors within Improvement Area No. 2, consisting of the landowners within the boundaries of Improvement Area No. 2, authorized the Community Facilities District to incur bonded indebtedness to finance the Project and more than two-thirds of the qualified electors within Improvement Area No. 2 approved the Rate and Method. The Supreme Court of the State 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 will 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.

Right to Vote on Taxes Act

An initiative measure, Proposition 218, commonly referred to as the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996, general election. The Initiative added Article XIII C ("**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 Improvement Area No. 2 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 forgoing, with respect to any challenge to the validity of the Special Tax or the Bonds, the Community Facilities District believes that under current State law the time for initiating any such legal 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 of San Diego 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 of San Diego 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 of San Diego 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 such 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 the 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. For example, among measures on the November 3, 2020, ballot was California Proposition 15, the Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative which, if approved, would have resulted in the ad valorem property tax commercial and industrial properties being based on market value rather than the tax on commercial and industrial properties continuing to be based on the purchase price of such properties, subject to an annual increase at the rate of inflation or 2%, whichever is lower. 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 Community Facilities District has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. 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.

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 Internal Revenue Code), or changes in interpretation of the Internal Revenue 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.

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

Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS – Tax Matters,” 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 future acts or omissions 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 would not be subject to early redemption and would remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Fiscal Agent Agreement. See “THE BONDS – Redemption.”

IRS Audit of Tax-Exempt Securities Issues

The IRS has initiated an expanded program for the auditing or examination of tax-exempt securities 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

Changes enacted by pending or 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. Such legislation, the introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the Bonds.

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

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

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 “ – Billing of Special Taxes,” “ – Payments by FDIC, Fannie Mae, Freddie Mac, and Other Federal Agencies,” and “ – No Acceleration Provisions” 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 not had a known major cyber breach in the last 10 years that resulted in a financial loss. The Information Technology department is regularly researching and implementing cybersecurity best-practices and informs employees of such when applicable. 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, 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 Bondowners, e.g., systems related to the timeliness of payments to Bondowners or compliance with disclosure filings pursuant to the Continuing Disclosure Agreement.

LEGAL MATTERS

Legal Opinion

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

Tax Matters

In the opinion of James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations, and compliance with certain covenants and agreements, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum taxes imposed on individuals. Interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Community Facilities District has made representations related to certain of these requirements and will covenant to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of the representations or failure to comply with the covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of the representations and compliance with the covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or event occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Should interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such event and will remain outstanding until maturity or until otherwise redeemed in accordance with the Fiscal Agent Agreement.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds that is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond

houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment at maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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 premium. No deduction is allowable for the amortizable premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received, will be reduced by the amount of amortizable premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstance.

Certain requirements and procedures contained or referred to in the Fiscal Agent Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than James F. Anderson Law Firm, A Professional Corporation.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bond or such owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchases of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations which present similar tax issues, will not affect the market price for the Bonds.

Backup Withholding

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

Absence of Litigation

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

No General Obligation

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 proceeds of the Special Tax of Improvement Area No. 2, and proceeds of the Bonds, including amounts in the Reserve Fund, the Special Tax Fund and the Bond Fund and investment income on funds held pursuant to the Fiscal Agent Agreement (other than as necessary to be rebated to the United States of America pursuant to Section 148(f) of the Code and any applicable regulations promulgated pursuant thereto). Any tax levied for the payment of the Bonds will be limited to the Special Taxes to be collected from taxable properties within the boundaries of Improvement Area No. 2.

CONTINUING DISCLOSURE

The Community Facilities District will covenant in the Continuing Disclosure Agreement, the form of which is set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT (COMMUNITY FACILITIES DISTRICT)” (the “**CFD Continuing Disclosure Agreement**”), for the benefit of owners and beneficial owners of the Bonds, to provide certain financial and operating data relating to Improvement Area No. 2, the Community Facilities District, and the Bonds by not later than April 1 in each year, commencing on April 1, 2025 (the “**Community Facilities District Annual Report**”), and to provide notices of the occurrence of certain listed events.

The Community Facilities District Annual Report will be filed by the Community Facilities District, or the Dissemination Agent on behalf of the Community Facilities District, with the Municipal Securities Rulemaking Board (“**MSRB**”) through the Electronic Municipal Market Access System (the “**EMMA System**”) in an electronic format and accompanied by identifying information as prescribed by the MSRB, with a copy to the Fiscal Agent. Any notice of a listed event will be filed by the Community Facilities District, or the Dissemination Agent on behalf of the Community Facilities District, with the MSRB through the EMMA System. 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 CFD Continuing Disclosure Agreement. The covenants of the Community Facilities District in the CFD Continuing Disclosure Agreement 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 CFD Continuing Disclosure Agreement will not, in itself, constitute an Event of Default under the Fiscal Agent Agreement, and the sole remedy under the CFD Continuing Disclosure Agreement in the event of any failure of the Community Facilities District or the Dissemination Agent to comply with the CFD Continuing Disclosure Agreement will be an action to compel performance.

Prior Disclosure Compliance by School District, Other Community Facilities Districts formed by the School District, or Hemet Unified School District Financing Authority. A review of previous disclosure filings in the last five years, with respect to financings by the School District, other community facilities districts formed by the School District, or the Hemet Unified School District Financing Authority (the “**Authority**”), indicates that the School District did not comply in all respects with its prior undertakings. Identification of the below described events does not constitute a representation by the Community Facilities District or the School District that any such events were material.

The School District did not timely file the annual report and the audited financial statements for the School District’s 2012 General Obligation Refunding Bonds for the Fiscal Year ending June 30, 2018, and no notice of failure to file was filed in connection with such occurrences. The School District has filed addendums and/or additional information relating to annual reports or other required filings to provide information not included in the information previously filed.

In order to assist the Community Facilities District, the School District, community facilities districts formed by the School District, and the Authority in complying with their respective disclosure undertakings, the School District has hired outside consultants to facilitate preparation and filing of disclosure reports and notices of listed events.

NO RATINGS

The Community Facilities District has not made, and does not contemplate making, any application to a rating agency for a rating on the Bonds. No such rating should be assumed from any credit rating that the School District or the Community Facilities District may obtain for other purposes. Prospective purchasers of the Bonds are required to make independent determinations as to the credit quality of the Bonds and their appropriateness as an investment.

UNDERWRITING

The Bonds are being purchased by the Underwriter at a purchase price of \$4,209,082.35 (which represents the aggregate principal amount of the Bonds of \$4,145,000.00, plus original issue premium of \$130,402.35, and less an underwriter's discount of \$66,320.00).

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

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

PROFESSIONAL FEES

Fees payable to certain professionals in connection with issuance, sale and delivery of the Bonds, including the Underwriter, Kutak Rock LLP, as counsel to the Underwriter, James F. Anderson Law Firm, A Professional Corporation, as Bond Counsel, Jones Hall, A Professional Law Corporation, as Disclosure Counsel, Fieldman, Rolapp & Associates, Inc., as municipal advisor (the "Municipal Advisor"), and U.S. Bank Trust Company, National Association, as Fiscal Agent, are contingent upon the issuance of the Bonds.

The fees of Special District Financing & Administration LLC, as Special Tax Consultant, and as Dissemination Agent, are, in part, contingent upon the issuance of the Bonds. The fees of Integra Realty Resources, Inc., Sacramento, California, as the Appraiser are not contingent upon the issuance of the Bonds. Bond Counsel and Disclosure Counsel have in the past worked as, and are each currently working as, counsel to the Underwriter on matters unrelated to the Bonds.

MISCELLANEOUS

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

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

The Municipal Advisor has assisted in matters related to the planning, structuring, execution, and delivery of the Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Municipal Advisor has not audited, authenticated, or otherwise independently verified the information set forth in this Official Statement, or any other related information available, with respect to accuracy and completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty, or other representation with respect to the accuracy or completeness of this Official Statement, or any other matter related to this Official Statement.

EXECUTION

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 HEMET UNIFIED SCHOOL DISTRICT

By: _____ /s/ *R. Darrin Watters*
Deputy Superintendent, Business Services,
Hemet Unified School District on behalf of
Improvement Area No. 2 of Community
Facilities District No. 2018-1 of the Hemet
Unified School District

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APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF HEMET AND THE COUNTY OF RIVERSIDE

*The following information concerning the City of Hemet (the “**City**”) and Riverside County (the “**County**”) is included only for the purpose of supplying general information regarding the area near Improvement Area No. 2. The Bonds are not a debt of the City, the County, the State of California (the “**State**”) or any of its political subdivisions (other than the Community Facilities District), and none of the City, the County, the State or any of its political subdivisions (other than the Community Facilities District) is liable therefor.*

General

The City. Hemet Unified School District office is located within the City and Improvement Area No. 2 of the Community Facilities District (“**Improvement Area No. 2**”) is located within the community of Winchester, a census designated place (“**Winchester CDP**”), located approximately 9 miles from the City. The City is located in Riverside County approximately 35 miles southeast of the City of Riverside, 85 miles southeast of Los Angeles and 83 miles north of San Diego. The City is predominantly a retirement community, made up largely from relocated individuals who desire the warm winter climate available in Hemet. Planned recreational areas and activities include: camping, boating, cycling, bird watching, fishing, picnic areas, equestrian trails, hiking, golf, and a sports complex.

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 Hemet mountains and the Cleveland National Forest experience the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions. Riverside County is the site of famous resorts, such as those in Palm Springs, and is 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.

Population

The following table sets forth annual population figures, as of January 1, for the City, the County, and the State, for each of the years listed:

**CITY OF HEMET, COUNTY OF RIVERSIDE, AND
STATE OF CALIFORNIA
2019 through 2023 Population Estimates**

Year (January 1)	City of Hemet	Riverside County	State of California
2019	84,354	2,419,057	39,605,361
2020	84,391	2,440,719	39,648,938
2021	89,302	2,418,727	39,286,510
2022	89,170	2,430,976	39,078,674
2023	89,918	2,439,234	38,940,231

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

Employment and Industry

Improvement Area No. 2 is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “**MSA**”). The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 5.1 percent in November 2023, unchanged from a revised 5.1 percent in October 2023, and above the year-ago estimate of 4.1 percent. This compares with an unadjusted unemployment rate of 4.9 percent for California and 3.5 percent for the nation during the same period. The unemployment rate was 5.1 percent in Riverside County, and 5.0 percent in San Bernardino County.

The following table summarizes the civilian labor force, employment and unemployment in the MSA for the calendar years 2018 through 2022. These figures are MSA-wide statistics and may not necessarily accurately reflect employment trends in the City or in Improvement Area No.2.

RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA (Riverside and San Bernardino Counties)

Civilian Labor Force, Employment and Unemployment (Annual Averages)

March 2022 Benchmark

	2018	2019	2020	2021	2022
Civilian Labor Force ⁽¹⁾	2,045,200	2,075,200	2,095,800	2,125,300	2,160,600
Employment	1,957,500	1,991,200	1,888,900	1,968,700	2,071,200
Unemployment	87,700	84,000	206,900	156,600	89,400
Unemployment Rate	4.3%	4.0%	9.9%	7.4%	4.1%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	14,500	15,400	14,100	13,700	13,900
Mining and Logging	1,200	1,200	1,300	1,400	1,600
Construction	105,200	107,200	104,900	110,100	115,200
Manufacturing	100,400	101,300	96,000	96,100	99,600
Wholesale Trade	66,100	67,700	65,600	67,400	69,700
Retail Trade	181,200	180,700	168,800	177,000	180,600
Transportation, Warehousing and Utilities	132,100	146,600	172,500	198,800	214,200
Information	11,400	11,500	9,600	9,700	10,200
Finance and Insurance	25,300	24,800	24,600	24,400	24,600
Real Estate and Rental and Leasing	19,300	20,200	19,500	20,700	22,200
Professional and Business Services	151,400	157,900	154,800	169,400	179,100
Educational and Health Services	239,500	250,300	248,800	254,300	266,400
Leisure and Hospitality	170,600	175,900	141,300	160,200	179,600
Other Services	45,800	46,200	40,200	43,600	47,900
Federal Government	20,700	21,100	22,100	21,100	20,900
State Government	30,600	31,100	31,300	30,400	28,300
Local Government	205,900	209,000	194,600	190,500	200,300
Total All Industries ⁽³⁾	1,521,100	1,568,100	1,509,900	1,588,800	1,674,200

(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.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department, March 2022 Benchmark.

Major Employers

The following table lists major employers within the County as of May 5, 2023, being the most current date for which such information is available.

RIVERSIDE COUNTY Major Employers May 5, 2023

Employer Name	Number of Employees	Location	Description
County of Riverside	25,366	Countywide	County Government
Amazon	14,317	Countywide	E-Commerce
March Air Reserve Base	9,600	March ARB	Military Reserve Base
Nestle UA	8,874	Mira Loma	General Line Grocery Merchant Wholesalers
University of California, Riverside	8,623	Riverside	University
State of California	8,383	Countywide	State Government
Walmart	7,494	Countywide	Retail Company
Moreno Valley Unified School District	6,020	Moreno Valley	School District
Kaiser Permanente Riverside Medical Center	5,817	Riverside	Hospital
Corona-Norco Unified School District	5,478	Corona	School District
Riverside Unified School District	5,431	Riverside	School District
Mt. San Jacinto Community College District	4,638	San Jacinto	Community College District
Marie Callender Wholesalers Inc.	4,454	Corona	Bakery Products Wholesale
Temecula Valley School District	4,022	Temecula	School District
Eisenhower Medical Center	4,001	Rancho Mirage	Hospital
Pechanga Resort & Casino	4,000	Temecula	Resort Casino
Hemet Unified School District	3,960	Hemet	School District
Murrieta Valley Unified School District	3,552	Murrieta	School District
Starcrest of California	3,450	Perris	E-Commerce
Palm Springs Unified School District	3,328	Palm Springs	School District
Stater Bros	3,297	County Wide	Retail Grocery Company
Lake Elsinore Unified School District	3,267	Lake Elsinore	School District
Home Depot	3,115	Countywide	Home Center
Jurupa Unified School District	2,749	Jurupa	School District
McDonalds	2,721	County-wide	Limited Service Restaurant
City of Riverside	2,700	Riverside	City Government
Target	2,631	Countywide	Retail Company
Coachella Valley Unified School District	2,581	Thermal	School District
Albertsons/Sav-On	2,231	Countywide	Retail Grocery Company
Riverside Community College District	2,228	Riverside	Community College District
Hemet Valley Medical Center	2,214	Hemet	Hospital
Agua Caliente Band of Cahuilla Indians	2,200	Rancho Mirage	Tribal Government/Casinos
Spa Resort and Casino	2,120	Palm Springs	Resort & Spa
Beaumont Unified School District	2,053	Beaumont	School District
Kroger (Ralphs & Vons)	2,035	Countywide	Retail Grocery Company
Abbott Vascular Inc	2,008	Temecula	Medical Device Manufacturer
Desert Regional Medical Center	1,991	Palm Springs	Hospital
Alvord Unified School District	1,936	Corona	School District
Lowes Home Improvement	1,928	County-wide	Home Center
United Parcel Service	1,678	Countywide	Delivery Services

Source: DatabaseUSA.com, Websites & Public Records, 2023

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

**CITY OF HEMET, WINCHESTER CDP, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA, AND UNITED STATES
Median Household Effective Buying Income
For Calendar Years 2020 through 2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
City of Hemet	\$38,405	\$39,827	\$45,665	\$46,660	\$49,313
Winchester CDP	71,635	73,366	88,446	72,422	76,752
County of Riverside	59,928	60,865	70,961	71,623	75,269
State of California	65,870	67,956	77,058	77,175	80,973
United States	55,303	56,790	64,448	65,326	67,876

Source: Claritas, LLC.

Construction Trends

Provided below are the building permits and valuations for the City and County for calendar years 2018 through 2022.

CITY OF HEMET Total Building Permit Valuations (Valuation in Thousands of Dollars)

	2018	2019	2020	2021	2022
Permit Valuation					
New Single-family	\$17,978.5	\$14,583.4	\$21,708.3	22,245.5	\$100,018.7
New Multi-family	0.0	0.0	0.0	5,658.7	1,425.0
Res. Alterations/Additions	<u>1,363.2</u>	<u>1,313.8</u>	<u>879.8</u>	<u>25.0</u>	<u>2,812.4</u>
Total Residential	19,341.7	15,897.2	22,588.1	27,929.2	104,256.1
New Commercial	3,529.2	1,555.0	10,331.6	0.0	6,598.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	10,429.3	4,463.8	1,726.4	82.2	7,843.3
Com. Alterations/Additions	<u>7,288.6</u>	<u>4,402.0</u>	<u>2,852.6</u>	<u>147.0</u>	<u>5,631.5</u>
Total Nonresidential	21,247.1	10,420.8	14,910.6	229.2	20,072.8
<u>New Dwelling Units</u>					
Single Family	62	74	89	112	271
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>22</u>	<u>6</u>
TOTAL	62	74	89	134	277

Source: Construction Industry Research Board, Building Permit Summary.

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

	2018	2019	2020	2021	2022
<u>Permit Valuation</u>					
New Single-family	\$2,200,020.7	\$1,834,821.9	\$2,315,365.2	\$2,013,159.0	\$2,429,329.1
New Multi-family	232,706.8	282,465.1	93,149.3	149,081.2	339,474.5
Res. Alterations/Additions	<u>125,353.5</u>	<u>158,118.0</u>	<u>110,788.7</u>	<u>100,401.7</u>	<u>152,309.4</u>
Total Residential	2,558,080.9	2,275,404.9	2,519,303.2	2,262,641.9	2,921,113.0
New Commercial	965,131.6	346,766.8	358,641.9	635,224.9	803,172.0
New Industrial	529,326.4	493,872.3	225,401.2	184,816.8	83,555.9
New Other	149,451.5	145,129.9	188,796.5	432,994.3	290,132.8
Com. Alterations/Additions	<u>315,771.0</u>	<u>300,086.8</u>	<u>380,938.0</u>	<u>290,961.7</u>	<u>524,757.1</u>
Total Nonresidential	1,959,680.5	1,285,855.8	1,153,777.6	1,543,997.7	1,701,617.8
<u>New Dwelling Units</u>					
Single Family	7,540	6,563	8,443	7,360	8,863
Multiple Family	<u>1,628</u>	<u>1,798</u>	<u>723</u>	<u>1,126</u>	<u>2,861</u>
TOTAL	9,168	8,361	9,166	8,486	11,724

Source: Construction Industry Research Board, Building Permit Summary.

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: Moreno Valley Mall (in Moreno Valley), Main Street Pedestrian Mall (in Riverside), Galleria at Tyler (in Riverside), Westfield Palm Desert (in Palm Desert), Gardens on El Paseo (in Palm Desert), Canyon Crest Towne Center (in Riverside), the Promenade (in Temecula), and The River (in Rancho Mirage). There are also two factory outlet malls (Desert Hills Premium Outlets and Lake Elsinore Outlet Center) and over 200 area centers in the County.

A summary of historic taxable sales within the City during the past five years in which data are available is shown in the following table. Total taxable sales during the first two quarters of calendar year 2023 in the City were reported to be \$696,913,493, a 8.63% decrease over the total taxable sales of \$762,757,309 reported during the first two quarters of calendar year 2022.

CITY OF HEMET Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2018	985	\$916,236	1,499	\$1,048,644
2019	1,022	979,760	1,576	1,126,155
2020	1,130	1,013,919	1,772	1,197,692
2021	1,041	1,221,163	1,655	1,467,550
2022	1,033	1,272,497	1,666	1,496,698

Source: State Department of Tax and Fee Administration.

A summary of historic taxable sales within the County during the past five years in which data are available is shown in the following table. Total taxable sales during the first two quarters of calendar year 2023 in the County were reported to be \$26,689,369,684, a 2.77% decrease over the total taxable sales of \$30,533,866,457 reported during the first two quarters of calendar year 2023.

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

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2018	39,577	\$28,042,692	61,433	\$38,919,498
2019	40,491	29,020,401	64,063	40,557,845
2020	43,106	30,321,662	69,284	42,313,474
2021	39,455	41,330,546	64,335	55,535,196
2022	40,719	45,373,560	66,738	61,908,344

Source: State Department of Tax and Fee Administration.

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.

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. Several major freeways and highways provide access between Riverside County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through the City of Riverside 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. Interstates 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-Cabazon. 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 County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport. This airport is operated by the Ontario International Airport Authority, formed under a joint powers agreement with the City of Ontario and San Bernardino County by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Ontario International Airport. County-operated general aviation airports include those in Thermal, 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 Joint Powers Authority, comprised of the County and the cities of Riverside, Moreno Valley and Perris.

APPENDIX B

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX OF
COMMUNITY FACILITIES DISTRICT NO. 2018-1
OF THE HEMET UNIFIED SCHOOL DISTRICT
IMPROVEMENT AREA NO. 2**

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RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES
COMMUNITY FACILITIES DISTRICT NO. 2018-1
IMPROVEMENT AREA NO. 2
HEMET UNIFIED SCHOOL DISTRICT

A Special Tax (as hereinafter defined) shall be levied on all Assessor's Parcels within Community Facilities District No. 2018-1 Improvement Area No. 2 ("CFD No. 2018-1 IA-2") of the Hemet Unified School District ("School District") and collected each Fiscal Year commencing in Fiscal Year 2018/19, in an amount determined by the School District, through the application of this Rate and Method of Apportionment of Special Taxes as described below. All of the real property within the boundaries of CFD No. 2018-1 IA-2, unless exempted by law or by the provisions hereof, shall be subject to the Special Tax for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the acreage of an Assessor's Parcel as shown on an Assessor's Parcel Map. If the acreage is not shown on an Assessor's Parcel Map, the acreage shown on the applicable Final Map, parcel map, condominium plan, or other recorded County map shall be used. If the acreage information supplied by these alternative sources is not available, or in conflict, the acreage used shall be determined by the Assistant Superintendent of Business Services or a designee.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2018-1 IA-2 for: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the School District, CFD No. 2018-1 IA-2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the School District, CFD No. 2018-1 IA-2 or any designee thereof of complying with School District's, CFD No. 2018-1 IA-2's or obligated persons' disclosure requirements associated with applicable federal and State securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to property owner and public inquiries regarding the CFD No. 2018-1 IA-2, including its Special Taxes; the cost associated with the computation of the Backup Special Tax; the costs of the School District, CFD No. 2018-1 IA-2 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the School District's annual administration fees and third party expenses. Administrative Expenses shall also

include amounts estimated or advanced by the School District or CFD No. 2018-1 IA-2 for any other administrative purposes of CFD No. 2018-1 IA-2, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

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

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

"Assistant Superintendent of Business Services" means the Assistant Superintendent of Business Services of the School District or the Chief Business Official of the School District, as appropriate, or his or her designee.

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

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2018-1 IA-2, pursuant to the Act which are secured by a pledge of the Special Taxes.

"CFD No. 2018-1 IA-2" means Community Facilities District No. 2018-1 Improvement Area No. 2 of the Hemet Unified School District.

"City" means the City of Hemet, California.

"County" means the County of Riverside, California.

"Developed Floor Area" means for any Dwelling Unit, the square footage of assessable space of each Dwelling Unit as defined in Government Code section 65995, subdivision (b)(1). For purposes of this determination, such square footage of assessable space shall be, and the School District, acting for CFD No. 2018-1 IA-2, may rely on, the square footage as identified on the building permit(s) issued by the applicable issuing agency if found consistent with such code section.

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

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

“Exempt Property” means all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section E.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*), an applicable local ordinance or recordation of a condominium plan pursuant to California Civil Code Section 6624 that creates individual lots for which building permits may be issued without further subdivision.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

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

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

“Maximum Special Tax” means for each Assessor’s Parcel and each Fiscal Year, the Maximum Special Tax, determined in accordance with Section C, below, that may be levied on such Assessor’s Parcel in such Fiscal Year.

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

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under an Indenture(s).

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2018-1 IA-2 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2018-1 IA-2 to less than 18.72 Acres as described in Section E.

“Proportionately” means, for Developed Property, that the quotient of (i) the actual Special Tax levy less the Assigned Special Tax divided by (ii) the Backup Special Tax less the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property for which the Maximum Special Tax is derived by the application of the Backup Special Tax. For Undeveloped Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property. For Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Property Owner Association Property and Public Property.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2018-1 IA-2 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably dedicated to the federal government, the State, the County, the City or any other public agency as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2018-1 IA-2 to less than 18.72 Acres as described in Section E and provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use whichever is greater.

“Rate and Method of Apportionment” means the “Rate and Method of Appointment of Special Taxes for Community Facilities District No. 2018-1 Improvement Area No. 2 of the Hemet Unified School District.”

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

“School District” means the Hemet Unified School District.

“Special Tax” or “Special Taxes” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within the boundaries of CFD No. 2018-1 IA-2 in accordance with this Rate and Method of Apportionment.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2018-1 IA-2 to: (i) pay Administration Expenses of CFD No. 2018-1 IA-2 as provided in this Rate and Method of Apportionment; (ii) pay debt service on all Outstanding Bonds due in the calendar year that commences in such Fiscal Year; (iii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iv) pay any amounts required to replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of facilities that are eligible to be financed through CFD No. 2018-1 IA-2 under the Act, as reasonably determined by the School District, so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to the Undeveloped Property; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within CFD No. 2018-1 IA-2, levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the School District, less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the Assistant Superintendent of Business Services pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2018-1 IA-2 which have not been prepaid pursuant to Section I or, which are not exempt from the Special Tax pursuant to law or Section E below.

“Trustee” means the trustee or fiscal agent under an Indenture(s).

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

“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.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2018-1 IA-2 shall be classified as Developed Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property or Public Property that is not Exempt Property and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Assessor’s Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

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

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

b. Assigned Special Tax

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

TABLE 1
Assigned Special Taxes for Developed Property
Fiscal Year 2018/19

Land Use Category	Taxable Unit	Developed Floor Area	Assigned Special Tax Per Taxable Unit
1 - Residential Property	DU	Less than 1,601 sq. ft.	\$2,105.00
2 - Residential Property	DU	1,601 sq. ft. to 1,800 sq. ft.	\$2,146.00
3 - Residential Property	DU	1,801 sq. ft. to 2,000 sq. ft.	\$2,188.00
4 - Residential Property	DU	2,001 sq. ft. to 2,200 sq. ft.	\$2,313.00
5 - Residential Property	DU	2,201 sq. ft. to 2,400 sq. ft.	\$2,355.00
6 - Residential Property	DU	2,401 sq. ft. to 2,600 sq. ft.	\$2,439.00
7 - Residential Property	DU	2,601 sq. ft. to 2,800 sq. ft.	\$2,472.00
8 - Residential Property	DU	2,801 sq. ft. to 3,000 sq. ft.	\$2,522.00
9 - Residential Property	DU	Greater than 3,000 sq. ft.	\$2,564.00
10 - Non-Residential Property	Acre	NA	\$13,432.00

c. Backup Special Tax

Final Tract Map No. 30989 has been recorded, a portion of which covers all the property within CFD No. 2018-1 IA-2. The Backup Special Tax for the Assessor's Parcels of Residential Property within CFD No. 2018-1 IA-2 has been determined as calculated below. The owner of the property within Final Map No. 30989 provided the Assistant Superintendent of Business Services a copy of the recorded Final Map and a listing of the square footage of all lots within such Final Map and CFD No. 2018-1 IA-2 prior to the formation of CFD No. 2018-1 IA-2.

The Backup Special Tax per Assessor's Parcel of Residential Property within the CFD No. 2018-1 IA-2 was determined by multiplying the Maximum Special Tax per Acre for Undeveloped Property of \$13,432.00 for Fiscal Year 2018/19 by the total Acreage of Taxable Property, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner's Association Property in the portion of such Final Map included within CFD No. 2018-1 IA-2 and dividing such amount by the number of Assessor's Parcels that are or are expected to be Residential Property (i.e., the number of residential lots or dwelling units) within such Final Map included within CFD No. 2018-1 IA-2. Table 2 below provides the calculation of the Backup Special Tax for Fiscal Year 2018/19 for CFD No. 2018-1 IA-2.

TABLE 2
Backup Special Taxes
Fiscal Year 2018/19

Map Status	Final Map Acreage of Taxable Property	Number of Residential Dwelling Units	Status of Backup Tax*	Backup Special Tax per Lot or Dwelling Unit*
Final	19.70	102	Final	(\$13,432.00 times 19.70 divided by 102 lots) \$2,594.22

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

Notwithstanding the foregoing, if all or any portion of the Final Map contained with the boundaries of CFD No. 2018-1 IA-2 described in the preceding paragraph is subsequently changed or modified, then the Backup Special Tax for each Assessor's Parcel of Residential Property in such Final Map area contained with the boundaries of CFD No. 2018-1 IA-2 that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Taxes anticipated to apply to the changed or modified Final Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the total Acreage of Taxable Property within such changed or modified Final Map area, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner Association Property which is ultimately expected to exist in such changed or modified Final Map area contained within the boundaries of CFD No. 2018-1 IA-2, as reasonably determined by the Assistant Superintendent of Business Services.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area contained within the boundaries of CFD No. 2018-1 IA-2, subject to increases pursuant to Section C.1.d.

d. Escalation

Each July 1st, commencing July 1, 2019, the Assigned Special Taxes and the Backup Special Tax shall increase annually by two percent (2%) from the amount established in the prior Fiscal Year.

2. Undeveloped Property, Property Owner Association Property and Public Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property within CFD No. 2018-1 IA-2 shall be \$13,432.00 per Acre for Fiscal Year 2018/19.

b. Escalation

Each July 1st, commencing July 1st 2019, the Maximum Special Tax for Undeveloped Property, Property Owner Association Property and Public Property shall increase annually by two percent (2%) from the amount established in the prior Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2019/20 and for each following Fiscal Year, the School District shall levy the Special Tax as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to the applicable Assigned Special Tax;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax for Undeveloped Property to satisfy the Special Tax Requirement; and

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Public Property and Property Owner Association Property which is not Exempt Property at up to 100% of the Maximum Special Tax for Property Owner Association Property and Public Property to satisfy the Special Tax Requirement; and

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the levy of the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax.

E. EXEMPTIONS

Any Assessor's Parcel within the boundaries of CFD No. 2018-1 IA-2 that is owned or irrevocably dedicated to a public agency as of the date of formation of CFD No. 2018-1 IA-2 shall be classified as Exempt Property and shall be exempt from the Special Tax in

accordance with Section 53340 of the Act. The total Acreage of Taxable Property within CFD No. 2018-1 IA-2 has been determined to be equal to 19.70 Acres as of the date of formation of CFD No. 2018-1 IA-2.

Tax exempt status will be irrevocably assigned by the Assistant Superintendent of Business Services in the chronological order in which property becomes Public Property or Property Owner Association Property provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2018-1 to less than 18.72 Acres. Public Property or Property Owner Association Property that would, if designated as Exempt Property, cause the Acreage of all Taxable Property to be less than 18.72 Acres shall be required to either (i) prepay the Special Tax for such property in full at the then applicable rate per Acre for Property Owner Association Property or Public Property applied to the Acres of such property, which resulting amount is to be used as the Assigned Special Tax in the calculation of the prepayment pursuant to Section I.1 or (ii) be subject to taxation pursuant to the third step of Section D.

F. APPEAL

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

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2018-1 IA-2 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. ASSIGNED SPECIAL TAX REMAINDER FROM DEVELOPED PROPERTY

In any Fiscal Year, when proceeds of Assigned Special Taxes from Developed Property are greater than principal and interest on Bonds and the Administrative Expenses, such amount(s) shall be available for the School District, subject to any required reserve fund replenishment. The School District shall use proceeds for acquisition, construction or

financing school facilities in accordance with the Act and other applicable law, as determined by the School District.

I. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied for an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, and Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section E. The prepayment amount for an Assessor's Parcel of Undeveloped Property for which a building permit has been issued shall be based on the Assigned Special Tax for the applicable Land Use Category shown in Table 1 based on the building permit issued for such Assessor's Parcel and the then current Special Tax rates. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation to pay the Special Tax for such Assessor's Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the Assistant Superintendent of Business Services with written notice of intent to prepay, and within five (5) days of receipt of such notice, the Assistant Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2018-1 IA-2 in calculating the proper amount of a prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the prepayment amount of such Assessor's Parcel.

- a) The prepayment amount for an Assessor's Parcel will be equal to the present value of the Assigned Special Tax of such Assessor's Parcel and the amount determined pursuant to Section I.1.c., if applicable, using a discount rate equal to 5.50% prior to the Issuance of Bonds or the Weighted Average Interest Rate after the issuance of Bonds and the lesser of (i) the remaining term for which the Special Tax may be levied pursuant to Section J or (ii) 30 years. Special Taxes that have already been levied as of the date of the prepayment shall not be considered in the calculations made pursuant to this Section I.1.
- b) A reasonable administrative fee (net of the non-refundable deposit) for determining such prepayment and the call premium, if any, as provided in the Indenture shall be added to the amount determined in Section I.1.a. to determine the total prepayment amount due.
- c) If at the date of the prepayment calculation all or a portion of the Backup Special Tax is being levied as a result of the total Residential Property and Nonresidential Property within CFD No. 2018-1 IA-2 being less than the total estimated Residential Property and Nonresidential Property that was assumed when the Bonds were issued as

determined by the Assistant Superintendent of Business Services, that portion of the Backup Special Tax being levied in excess of the Assigned Special Tax for the Assessor's Parcel which is seeking the prepayment shall be added to the Assigned Special Tax in Section I.1.a. (before calculating the present value) for purposes of calculating the prepayment amount.

- d) The prepayment amount shall, prior to the issuance of Bonds and after reduction for administrative expenses, be deposited into a separate account held with the School District and disbursed to fund facilities authorized by CFD No. 2018-1 IA-2 and in accordance with the school facilities mitigation agreement and joint community facilities agreement approved by the School District related to CFD No.2018-1 IA-2, and after the issuance of Bonds be deposited into the applicable accounts or funds established pursuant to the Indenture.

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

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

2. Prepayment in Part

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

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

These terms have the following meaning:

PP = the partial prepayment amount

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

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

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

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax shall notify the Assistant Superintendent of Business Services of (i) such owner's intent to partially prepay the Maximum Special Tax, and (ii) the percentage by which the Maximum Special Tax shall be prepaid, and within five (5) days of receipt of such notice, the Assistant Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2018-1 IA-2 in calculating the proper amount of a partial prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the partial prepayment amount of such Assessor's Parcel.

With respect to any Assessor's Parcel that is partially prepaid, the Assistant Superintendent of Business Services shall (i) distribute the funds remitted pursuant to Section I.1.d, and (ii) indicate in the records of CFD No. 2018-1 IA-2 that there has been a partial prepayment of the Maximum Special Tax and that a portion of the Assigned Special Tax and Backup Special Tax equal to the outstanding percentage (1.00 - F) of the Assigned Special Tax and Backup Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

J. TERM OF THE SPECIAL TAX

The Special Tax shall be levied annually on each Assessor's Parcels of Taxable Property for a maximum of thirty-five (35) years as Developed Property from the first levy of special taxes on an applicable Assessor's Parcel as Developed Property.

K. PURPOSE OF THE SPECIAL TAXES

A summary of the proposed facilities to be financed include water and sewer facilities of Eastern Municipal Water District ("EMWD"), elementary, middle, and high school buildings; special education facilities and transportation facilities, as well as central administration and support facilities as needed and applicable, together with land and all necessary equipment including technology improvements, equipment and personal property of the School District, together with an estimated useful life of five (5) years or longer to serve the properties and students within CFD 2018-1 IA-2, the School District and EMWD. The authorized facilities are detailed in the Resolution of Intention to Establish CFD 2018-1 IA-2 approved by the School District related to CFD No. 2018-1 IA-2. The herein-provided Special Taxes are contractually encumbered and committed to the School District as contemplated by Section 9 of Article 1 of the California Constitution and the applicable provisions of the Federal Constitution.

APPENDIX C
APPRAISAL REPORT

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Integra Realty Resources

Sacramento

Appraisal of Real Property

Hemet USD CFD No. 2018-1, IA2

Residential Subdivision

Linden Flower Road

Winchester, Riverside County, California 92596

Prepared For:

Hemet Unified School District

Date of the Report:

January 25, 2024

Report Format:

Appraisal Report

IRR - Sacramento

File Number: 193-2023-0568



Subject Photographs



Hemet USD CFD No. 2018-1, IA2
Linden Flower Road
Winchester, California

Aerial Photograph





January 25, 2024

Darrin Watters
Deputy Superintendent, Business Services
Hemet Unified School District
1791 W. Acacia Avenue
Hemet, CA 92545

SUBJECT: Market Value Appraisal
 Hemet USD CFD No. 2018-1, IA2
 Linden Flower Road
 Winchester, Riverside County, California 92596
 IRR - Sacramento File No. 193-2023-0568

Dear Mr. Watters:

Integra Realty Resources – Sacramento is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, pertaining to the fee simple interest in the property. The client for the assignment is Hemet Unified School District and the intended use of the report is for bond underwriting purposes.

The subject is a portion of the Hemet Unified School District (USD) Community Facilities District (CFD) No. 2018-1, IA2 (Improvement Area 2). The CFD is generally located along the north line of Simpson Road, east of Leon Road, and west of Dawn Lane, within the unincorporated community of Winchester, Riverside County, California. The 56 appraised lots represent a portion of IA 2, which is part of the Pleasant Valley Ranch community being developed by DR Horton. The Valley Ranch community offers a typical lot size of 7,250 square feet. As of the date of inspection, December 15, 2023, the appraised property consists of 33 homes under construction and 23 completed homes that have not been assigned an assessed value (or nominal value) for structural improvements. The remainder of IA 2 (46 completed homes) have assessed values by the Assessor's Office and are not appraised. A more detailed legal and physical description of the subject property is contained within the attached report.

We have been requested to provide a market value of the 56 appraised properties by ownership, as well as the aggregate, or cumulative, value of the appraised properties, as of

the date of value. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the 2024 Special Tax Bonds.

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

Standards Rule 2-2 (Content of a Real Property Appraisal Report) contained in the Uniform Standards of Professional Appraisal Practice (USPAP) requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report as defined by USPAP under Standards Rule 2-2(a), and incorporates practical explanation of the data, reasoning, and analysis that were used to develop the opinion of value.

Based on the valuation analysis in the accompanying Appraisal Report, and subject to the hypothetical condition, definitions, assumptions, and limiting conditions expressed in the report, the concluded opinions of value, as of the date of value, December 15, 2023, total or sum to the conclusion in the following table. Also presented is the assessed value for the 46 completed homes that have assessed values reported by the County Assessor's office.

Value by Ownership						
	Lots/Homes /Parcels	Lot/Home Value	Permits and Fees	Remaining Site Development Costs	Value per Component	Market Value (Rd.)
DR Horton Los Angeles Holding Co Inc.						
Homes Under Construction	33	\$225,000	(\$7,010)	(\$115,931)	\$102,058	\$3,368,000
Total	33					\$3,368,000
Individual Homeowners						
Completed Homes						
Residence 1898	6	\$520,000	-	-	\$520,000	\$3,120,000 (Not-Less-Than)
Residence 2239	5	\$535,000	-	-	\$535,000	\$2,675,000 (Not-Less-Than)
Residence 2537	7	\$560,000	-	-	\$560,000	\$3,920,000 (Not-Less-Than)
Residence 2617	5	\$570,000	-	-	\$570,000	\$2,850,000 (Not-Less-Than)
Total	23					\$12,565,000
Aggregate, or Cumulative, Appraised Values	56					\$15,933,000
Aggregate, or Cumulative, Assessed Values	46					\$27,222,085

The opinions of value for the 23 completed homes owned by individuals represent a "not-less-than" value. We were requested to provide a market value for each single-family lot improved with a completed home without a complete assessed improvement value reflected on the County of Riverside Assessor's Tax Roll. This portion of the valuation considered each home as a base floor plan without lot premiums, if any. The 33 DR Horton lots with homes under construction were valued as improved lots, without consideration for partially completed vertical improvements. Any properties within Hemet USD CFD No. 2018-1, IA2, not subject to the Special Tax Lien securing the 2024 Special Tax Bonds (public and quasi-public land use sites) are excluded.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

(None)

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the 2024 Special Tax Bonds will be available to fund improvements and/or benefits to the subject property and the benefits thereof have accrued to the subject property. The market value opinions account for the impact for the lien of Hemet USD CFD No. 2018-1, IA2, Special Taxes, securing the 2024 Special Tax Bonds.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Please note the aggregate of the appraised values 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.

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

Respectfully submitted,

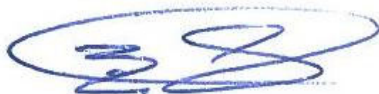
Integra Realty Resources - Sacramento



Blake Fassler
California Certified General Real Estate
Appraiser #3007274
Telephone: 916-435-3883
Email: bfassler@irr.com



Kevin Ziegenmeyer, MAI
California Certified General Real Estate
Appraiser #AG013567
Telephone: 916.435.3883, ext. 224
Email: kziegenmeyer@irr.com



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

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Executive Summary

Property Name	Hemet USD CFD No. 2018-1, IA2
Address	Linden Flower Road Winchester, Riverside County, California 92596
Property Type	Land - Single Family Development Land
Owner of Record	DR Horton Los Angeles Holding Co Inc. and Individual Homeowners
Tax ID	462-191-009 through -016, 462-192-001 through -008, 462-200-001 through -008, 462-201-001 through -005, 462-202-001 through -048, 462-210-001 through -007, 462-211-001 through -012 and 462-212-001 through -005, and -011
Land Area	19.70 acres; 858,132 SF
Zoning Designation	R-1, One-Family Dwelling Unit
Highest and Best Use	Residential use
Exposure Time; Marketing Period	6-9 months; 6-9 months
Effective Date of the Appraisal	December 15, 2023
Date of the Report	January 25, 2024
Property Interest Appraised	Fee Simple

Value Conclusion

Value Type & Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Aggregate, or Cumulative, Appraised Values	Fee Simple	December 15, 2023	\$15,933,000
Aggregate, or Cumulative, Assessed Values	Fee Simple	December 15, 2023	\$27,222,085

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Hemet Unified School District and its associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

(None)

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the 2024 Special Tax Bonds will be available to fund improvements and/or benefits to the subject property and the benefits thereof have accrued to the subject property. The market value opinions account for the impact for the lien of Hemet USD CFD No. 2018-1, IA2, Special Taxes, securing the 2024 Special Tax Bonds.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Identification of the Appraisal Problem

Subject Description

The subject is a portion of the Hemet Unified School District (USD) Community Facilities District (CFD) No. 2018-1, IA2 (Improvement Area 2). The CFD is generally located along the north line of Simpson Road, east of Leon Road, and west of Dawn Lane, within the unincorporated community of Winchester, Riverside County, California. The 56 appraised lots represent a portion of IA 2, which is part of the Pleasant Valley Ranch community being developed by DR Horton. The Valley Ranch community offers a typical lot size of 7,250 square feet. As of the date of inspection, December 15, 2023, the appraised property consists of 33 homes under construction and 23 completed homes that have not been assigned an assessed value (or nominal value) for structural improvements. The remainder of IA 2 (46 completed homes) have assessed values by the Assessor's Office and are not appraised. A legal description of the property is provided in the addenda.

Property Identification

Property Name	Hemet USD CFD No. 2018-1, IA2
Address	Linden Flower Road Winchester, California 92596
Tax ID	462-191-009 through -016, 462-192-001 through -008, 462-200-001 through -008, 462-201-001 through -005, 462-202-001 through -048, 462-210-001 through -007, 462-211-001 through -012 and 462-212-001 through -005, and -011
Owner of Record	DR Horton Los Angeles Holding Co Inc. and Individual Homeowners

The subject represents a portion of a larger community called Pleasant Valley Ranch. Pleasant Valley Ranch consists of 202 residential lots being developed by DR Horton.

Sale History

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

Sale Date	August 31, 2021
Seller	Watermarke Homes
Buyer	DR Horton Los Angeles Holding Co Inc.
Sale Price	\$15,728,000

This is a sale of 202 paper lots with a typical lot size of 7,250 square feet, which includes the 102 lots within the subject property for \$77,861 per lot. The lots included the sale of five partially completed models that were constructed prior to the Great Recession in 2007. The backstory to the project was not given; however, it appears one of the previous owners of the project tried to develop the subject and abandoned the project. The partially completed models on the property were demolished by DR Horton and the site development to improve the lots was estimated at \$15,400,862 or \$76,242 per lot.

The purchase is an arm's-length transaction with no unusual motivations. Considering the condition of the lots at the time of the sale, the prior arm's-length transaction is a reasonable indicator of the subject's market value, as of the date of purchase. The previous sale of the subject property is not consistent with current market value, given the improvements made after the sale as well as changing market conditions. Furthermore, the hypothetical condition on which the valuation is premised reflects a project condition different from the conditions as of the date of the prior sale.

To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date and to the best of our knowledge the property is not currently being marketed for sale in bulk.

Pending Transactions

Based on discussions with the appropriate contacts, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date. However, some individual homes are in contract to individual homeowners, with additional lots/homes listed for sale.

Appraisal Purpose

The purpose of this Appraisal Report is to estimate the market value (fee simple estate), by Assessor's parcel, and the cumulative, or aggregate value of the appraised properties within Hemet USD CFD No. 2018-1, IA2, subject to the hypothetical condition certain proceeds from the Series 2024 Special Tax Bonds will be available to fund improvements and/or benefits to the taxable parcels in IA 2 (including the appraised parcels) and the benefits thereof have accrued to the IA 2 parcels, including the appraised parcels, as of the effective date of the appraisal, December 15, 2023. The date of the report is January 25, 2024. The appraisal is valid only as of the stated effective date. The home values are based on a "not-less-than" value for each plan, without consideration for upgrades and lot premiums. Further, we have been asked to exclude any contributory value of unfinished homes, but consider the value of permits and impact fees paid for lots with either construction underway or not yet begun.

Value Type Definitions

The definitions of the value types applicable to this assignment are summarized below.

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:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. 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.¹

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.²

Sum of the Retail Values

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sale prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the aggregate of the retail values or aggregate retail selling price.

Property Rights Definitions

The property rights appraised which are applicable to this assignment are defined as follows.

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.³

Client and Intended User(s)

The client is Hemet Unified School District. The intended users are Hemet Unified School District and its associated finance team. No party or parties beyond the clients associated finance team may use or rely on the information, opinions, and conclusions contained in this report; however, this appraisal report may be included in the offering document provided in connection with the issuance and sale of the Bonds.

Intended Use

The intended use of the appraisal is for bond underwriting purposes. The appraisal is not intended for any other use.

Applicable Requirements

This appraisal report conforms to the following requirements and regulations:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute;
- Applicable state appraisal regulations;

¹ Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also, Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472

² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022)

³ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022)

- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

Report Format

Standards Rule 2-2 (Content of a Real Property Appraisal Report) contained in the Uniform Standards of Professional Appraisal Practice (USPAP) requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report as defined by USPAP under Standards Rule 2-2(a), and incorporates practical explanation of the data, reasoning, and analysis used to develop the opinion of value.

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 performed no 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 the agreement to perform this assignment.

Appraiser Competency

No steps were necessary to meet the competency provisions established under USPAP. The assignment participants have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, appraiser competency provisions are satisfied for this assignment. Appraiser qualifications and state credentials are included in the addenda of this report.

Scope of Work

Introduction

The appraisal development and reporting processes require gathering and analyzing information about the assignment elements necessary to properly identify the appraisal problem. The scope of work decision includes the research and analyses necessary to develop credible assignment results, given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

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

Research and Analysis

The type and extent of the research and analysis conducted are detailed in individual sections of the report. Although effort has been made to confirm the arm's-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Subject Property Data Sources

The legal and physical features of the subject property, including size of the site, flood plain data, seismic zone designation, property zoning, existing easements and encumbrances, access and exposure, and condition of the improvements (as applicable) were confirmed and analyzed.

Inspection

Details regarding the property inspection conducted as part of this appraisal assignment are summarized as follows:

Property Inspection		
Party	Inspection Type	Inspection Date
Blake Fassler	None	N/A
Kevin Ziegenmeyer, MAI	On-site	December 4, 2023
Eric Segal, MAI	None	N/A

Valuation Methodology

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

Approaches to Value for the 56 Appraised Properties

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

The valuation began by employing the sales comparison approach to estimate the not-less-than market value for the 23 completed single-family homes, based on each floor plan offered within the community. Then, the extraction technique was utilized to estimate the market value of the 23 single-family residential lots that have homes under construction. As a check of reasonableness, we have arrayed a number of recent bulk lot transactions in the subject's market area.

The market value estimates for the various taxable land use components described above were then assigned to the various assessor's parcels comprising the appraised properties in order to derive the cumulative, or aggregate, value of the appraised property. Our analysis excluded a typical cost approach because sufficient sale data is available for the home values and part of the value represents land only. However, costs associated with home construction were taken into consideration as part of the residual analysis and determination of financial feasibility. Given the limited, if any, income-producing potential of the land and the single-family homes, an income approach was not utilized.

This appraisal will utilize the term **"improved lot"** to denote a residential lot that has all off-sites and on-sites in place, and includes any impact fees due up until building permit. Building permits and fees due at building permit are excluded for finished lot. Terminology for this type of improved lot can vary by market area, and is sometimes referred to as a "loaded lot".

As a condition of this assignment, we present the Assessed values, when reported structural assessments are in place at values deemed reflective of completed homes. As previously stated, there are 46 completed homes with an assessed value greater than \$450,000. Thus, the 46 completed homes with assessed values and individual names identified on the Assessor's Roll have been reported based on the Assessor's latest assessed value.

The market values estimated herein are based on a hypothetical condition. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis." It is a hypothetical condition of this Appraisal Report that certain proceeds from the Bonds will be available to finance various improvements and/or benefits to the subject property and the benefits thereof have accrued to the subject property. The estimates of market value account for the impact of the Special Tax Lien of CFD No. 2018-1, IA2, securing the Bonds.

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 locate here from the more expensive metropolitan areas of Los Angeles and San Diego.

Population

The county has a population of 2.44 million and has grown at an average rate of 0.5% per year for the past five years. The following table illustrates recent population trends for Riverside County.

Population Trends							
City	2018	2019	2020	2021	2022	2023	%/Yr (5-year)
Banning	31,014	31,068	30,621	30,592	30,856	31,250	0.2%
Beaumont	48,013	49,913	53,318	53,945	54,349	56,590	3.6%
Blythe	19,772	19,530	18,586	17,376	17,417	17,265	-2.5%
Calimesa	8,959	9,015	10,028	10,588	10,950	10,962	4.5%
Canyon Lake	10,990	11,021	11,069	11,082	11,003	10,949	-0.1%
Cathedral City	53,148	53,308	51,356	51,599	51,621	51,433	-0.6%
Coachella	46,697	47,318	41,900	41,931	41,935	42,462	-1.8%
Corona	166,299	166,937	156,637	157,182	157,139	157,005	-1.1%
Desert Hot Springs	29,823	30,019	32,415	32,351	32,389	32,608	1.9%
Eastvale	65,509	65,735	69,742	70,457	69,978	69,514	1.2%
Hemet	84,126	84,354	89,325	89,302	89,170	89,918	1.4%
Indian Wells	5,314	5,351	4,759	4,791	4,785	4,774	-2.0%
Indio	88,984	90,112	88,795	89,422	89,789	90,837	0.4%
Jurupa Valley	104,645	106,056	104,828	105,131	105,154	104,983	0.1%
Lake Elsinore	62,622	63,270	70,572	71,225	71,989	71,973	3.0%
La Quinta	40,563	40,663	37,504	37,727	37,562	37,979	-1.3%
Menifee	92,110	94,710	102,466	104,323	107,411	110,034	3.9%
Moreno Valley	205,450	207,190	208,237	208,387	208,302	208,289	0.3%
Murrieta	112,352	113,207	110,702	111,024	110,592	109,998	-0.4%
Norco	26,593	26,473	26,659	24,680	25,035	25,037	-1.2%
Palm Desert	53,554	53,695	50,696	50,683	50,626	50,615	-1.1%
Palm Springs	47,253	47,410	44,206	44,312	44,165	44,092	-1.3%
Perris	77,649	78,095	78,614	78,867	78,474	78,948	0.3%
Rancho Mirage	18,257	18,397	16,588	16,692	16,854	17,012	-1.4%
Riverside	325,916	327,076	316,307	309,598	314,818	313,676	-0.8%
San Jacinto	48,536	49,655	53,835	54,186	54,303	54,103	2.3%
Temecula	112,243	112,561	109,820	109,881	109,468	108,899	-0.6%
Wildomar	36,436	36,878	36,720	36,713	36,438	36,336	-0.1%
Unincorporated	374,835	380,040	391,880	394,680	398,404	401,693	1.4%
Total	2,397,662	2,419,057	2,418,185	2,418,727	2,430,976	2,439,234	0.3%

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 313,000.

Employment & Economy

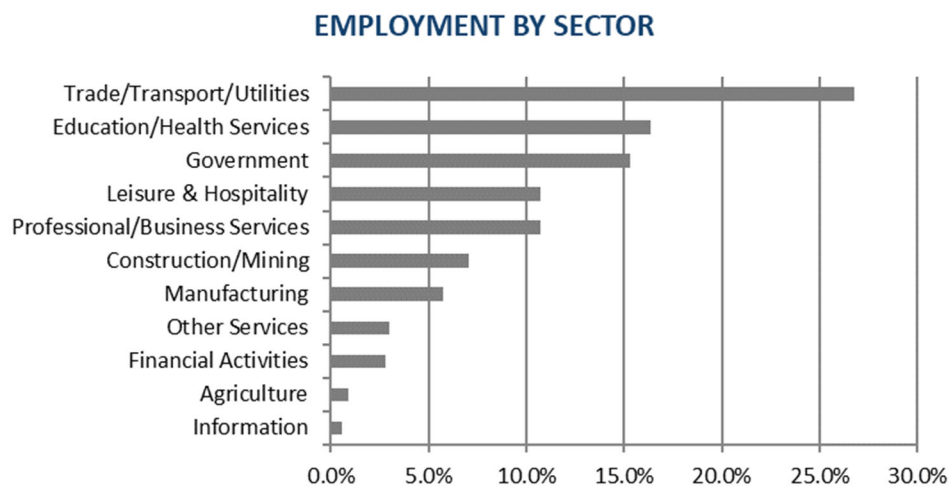
The California Employment Development Department (EDD) has reported the following employment data for Riverside County over the past five years.

Employment Trends						
	2017	2018	2019	2020	2021	2022
Labor Force	1,070,900	1,090,100	1,108,100	1,121,100	1,133,000	1,152,100
Employment	1,014,200	1,041,700	1,061,500	1,008,000	1,050,000	1,104,100
Annual Employment Change	27,000	27,500	19,800	-53,500	42,000	54,100
Unemployment Rate	5.3%	4.4%	4.2%	10.1%	7.3%	4.2%

Source: California Employment Development Department

Riverside County saw declining unemployment rates in 2004-2006, increases from 2007 to 2010, declines between 2011 and 2019, a significant increase in 2020 due to the pandemic and improvement in 2021 and 2022. The California Employment Development Department reported an unemployment rate of 4.4% in Riverside County in May 2023, up from 3.4% a year ago and compared to 4.5% for California and 3.4% for the nation.

As of May 2023, it was reported 16,600 non-farm jobs were gained in the Riverside-San Bernardino-Ontario MSA year-over-year. Annual job growth has slowed in recent quarters. The greatest job growth was in the Educational/Health Services sector with 12,400 jobs gained, followed by the Government sector with 7,700 jobs gained. The following chart indicates the percentage of total employment for each sector in the metro as of May 2023.



Source: California Employment Development Department

The region's largest employment sector, accounting for roughly 26% of total employment, is Trade/Transportation/Utilities, which includes wholesale and retail trade; followed by Education/Health Services and Government.

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	23,772
Amazon	Countywide	E-Commerce	14,500
March Air Reserve Base	March ARB	Military Reserve Base	9,600
University of California, Riverside	Riverside	University	8,593
Moreno Valley Unified School District	Moreno Valley	School District	6,020
Kaiser Permanente Riverside Medical Center	Riverside	Hospital	5,817
Corona-Norco Unified School District	Corona	School District	5,478
Riverside Unified School District	Riverside	School District	5,431
Stater Bros	Countywide	Retail Grocery	4,699
Mt. San Jacinto College	San Jacinto	Community College District	4,638
Marie Callender Wholesalers, Inc.	Corona	Wholesale Trade	4,454
313 Acquisitions LLC	Riverside	Other Services	4,208
Temecula Valley Unified School District	Temecula	School District	4,022
Eisenhower Medical Center	Rancho Mirage	Hospital	4,001
Pechanga Resort & Casino	Temecula	Resort/Casino	4,000
Hemet Unified School District	Hemet	School District	3,960
Home Depot	Countywide	Retail	3,576
Murrieta Valley Unified School District	Murrieta	School District	3,552
Starcrest of California	Perris	E-Commerce	3,450
McDonalds	Countywide	Restaurant	3,375
Palm Springs Unified School District	Palm Springs	School District	3,328
Lake Elsinore Unified School District	Lake Elsinore	School District	3,267
Jurupa Unified School District	Jurupa Valley	School District	2,749
City of Riverside	Riverside	City Government	2,700
Target	Countywide	Retail	2,631
Coachella Valley Unified School District	Thermal	School District	2,581
Walmart	Countywide	Retail	1,561
Albertsons/Sav-On	Countywide	Retail Grocery	2,231
Riverside Community College District	Riverside	Community College District	2,228
Hemet Valley Medical Center	Hemet	Hospital	2,214
Desert Regional Medical Center	Palm Springs	Hospital	2,200
Agua Caliente Band of Cahuilla Indians	Rancho Mirage	Tribal Government / Casinos	2,200
Spa Resort & Casino	Palm Springs	Resort & Spa	2,120
Beaumont Unified School District	Beaumont	School District	2,053
Kroger (Ralphs & Vons)	Countywide	Retail Grocery	2,035
Abbott Vascular, Inc.	Temecula	Medical Device Manufacturing	2,008
Alvord Unified School District	Corona	School District	1,936
Lowe's Home Improvement	Countywide	Retail	1,928
United Parcel Service	Countywide	Delivery Services	1,678
MSR Desert Resort, LP	La Quinta	Resort / Restaurant	1,500

Source: Riverside County Economic Development Agency, with source cited as "Employers Listed, Websites, and Public Records, 2022"

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. According to Claritas Spotlight data reporting service, the median household income estimated for Riverside County in 2023 is \$81,520, which is less than the state of California's median income of \$89,113.

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 highways. The 91 Freeway provides travel 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 provides 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 relocating here 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.

In recent years, market and economic conditions were strong, with unemployment rates falling to historical lows. Employment conditions declined sharply in 2020 after the onset of the pandemic and though market and economic conditions have since improved, current macroeconomic factors, specifically high inflation and rising interest rates, have reintroduced uncertainty in the market. Recovery in the market is expected to be gradual and the long-term outlook for the region is good.

Surrounding Area Analysis

Introduction

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

Neighborhood Boundaries

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

The subject property is located within the unincorporated community of Winchester, Riverside County. The neighborhood boundaries can generally be described as the northern portion of zip code 92596 bound by Scott Road to the south.

Access and Linkages

The subject is located along Simpson Road, which is a major neighborhood throughfare in the community of Winchester. Just west of the subject, Leon Road connects to Domenigoni Parkway to the south, which is a primary east and west throughfare that connects Menifee to the west and Hemet to the east. Interstate 215 approximately four miles west of the subject (via Domenigoni Parkway). 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. State Route 74 runs from San Juan Capistrano in Orange County to Palm Desert in Riverside County, stretching a total of 111 miles.

Public transportation is provided by the Riverside Transit Agency (RTA), which has a stop at Simpson Road and Winchester Road to the east of the subject.

The county's main airport is the Palm Springs International Airport. This two-runway airport is located about two miles east of downtown Palm Springs and is highly seasonal, with most flights operating during the winter; however, the nearest major airport to the appraised properties is Ontario International Airport (San Bernardino County), just northwest of Riverside County.

Demographics

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

Surrounding Area Demographics

2023 Estimates	3-Mile Radius	5-Mile Radius	10-Mile Radius	92596 (Winchester, CA)	Riverside County
Population 2020	32,476	88,454	435,518	32,195	2,418,185
Population 2023	34,517	92,846	452,505	33,890	2,488,669
Population 2028	37,573	99,328	476,750	36,366	2,586,031
Compound % Change 2020-2023	2.1%	1.6%	1.3%	1.7%	1.0%
Compound % Change 2023-2028	1.7%	1.4%	1.0%	1.4%	0.8%
Households 2020	9,723	29,813	134,571	8,951	763,283
Households 2023	10,194	31,043	139,229	9,377	786,429
Households 2028	10,965	32,922	146,164	10,028	818,630
Compound % Change 2020-2023	1.6%	1.4%	1.1%	1.6%	1.0%
Compound % Change 2023-2028	1.5%	1.2%	1.0%	1.4%	0.8%
Median Household Income 2023	\$100,502	\$83,479	\$80,608	\$116,169	\$81,520
Average Household Size	3.4	3.0	3.2	3.6	3.1
College Graduate %	23%	20%	19%	31%	23%
Median Age	35	40	36	34	37
Owner Occupied %	83%	77%	71%	79%	67%
Renter Occupied %	17%	23%	29%	21%	33%
Median Owner Occupied Housing Value	\$516,390	\$467,754	\$460,973	\$611,804	\$511,440
Median Year Structure Built	2004	2000	1997	2005	1989
Average Travel Time to Work in Minutes	44	43	41	44	37

Source: Claritas

As shown above, the current population within a 5-mile radius of the subject is 92,846, and the average household size is 3.0. Population in the area has grown since the 2020 census, and this trend is projected to continue over the next five years. Compared to Riverside County overall, the population within a 5-mile radius is projected to grow at a faster rate.

Median household income is \$83,479, which is greater than the household income for Riverside County. Residents within a 5-mile radius have a lower level of educational attainment than those of Riverside County, while median owner-occupied home values are considerably lower. Note the median household income and owner-occupied housing value within a three-mile radius are greater than those in the five-mile radius. The subject's zip code has the highest median household income, but this includes the superior neighborhood of French Valley (Homes for sale in French Valley, CA have a median listing home price of \$714,780 by Realtor.com).

Land Use

The subject's immediate area consists mainly of residential development, agricultural, and vacant land. Most of the commercial development is either to the east in the city of Hemet or to the west in the city of Menifee.

The most proximate mall to the subject property is northeast of the subject, within the city of Hemet along West Florida Avenue, north of the 79 Freeway is the Hemet Valley Mall a 124,963± square foot shopping center includes tenants such as, Hobby Lobby, JC Penny, Sephora, Starbucks, and Chili's Bar & Grill. CoStar notes a \$5,000,000 renovation was completed in 2017 and the mall won the Chamber of Commerce's Best Beautification Award in the same year.

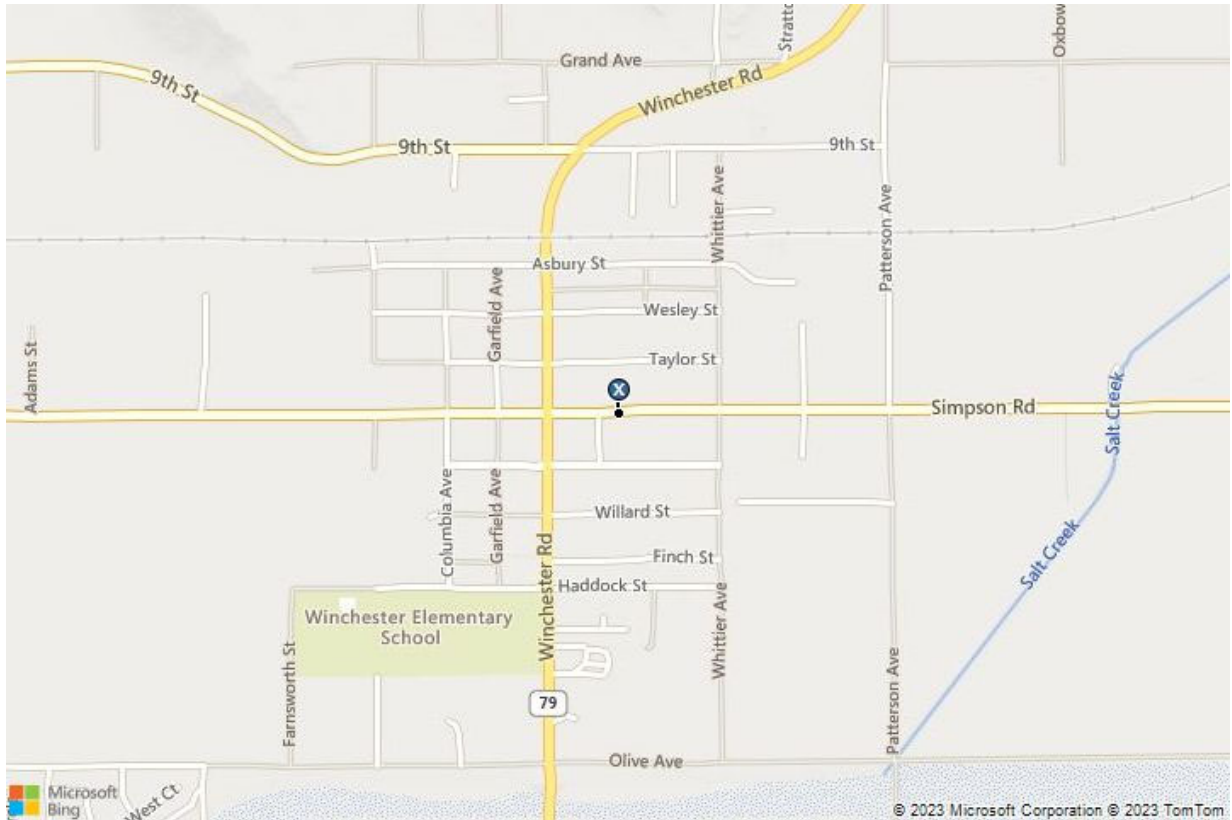
To the west of the subject along Domenigoni Parkway at Interstate 215 is a large retail development, which includes the Menifee Countryside Marketplace, Menifee Town Center, and Menifee Lakes Plaza. Some of the tenants within these centers include Lowes, Target, Ralphs, Aldi, Living Spaces, LA Fitness, Ross, Best Buy, Home Goods, Petsmart, Party City, and Ulta. These larger retailers are surrounded by numerous nationally-recognized in-line or pad retailers like In-N-Out Burger, Red Robin, Buffalo Wild Wings, Sonic Drive-in, Taco Bell, and Bank of America.

The University of California, Riverside campus is located on 1,900 acres in the suburban district of Riverside, approximately 26 miles northwest of the subject. The university is consistently ranked as one of the most ethnically and economically diverse universities in the U.S. Mt. San Jacinto College serves a 1,700 square-mile area from the San Geronio Pass to Temecula. MSCJ offers strong programs in nursing, administration of justice, automotive/ transportation technology, and business administration to name a few. Enrollment in the 2021-2022 school year was greater than 24,000 students. The closest hospital is the Menifee Global Medical Center approximately three miles to the west of the subject.

Outlook and Conclusions

The subject is located in the unincorporated community of Winchester, Riverside County. The neighborhood is primarily residential in nature, with limited commercial development in the neighborhood. The subject benefits from good access to and from the neighborhood's main transportation routes and easy access to major highways. The subject area has experienced steady development growth over the past five years.

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.

The residential housing market has been changing due to rising interest rates. After a period of expansion leading up to, and sustained during, the COVID-19 pandemic with low mortgage interest rates, the increased cost of borrowing, which began in 2022, put downward pressure on housing affordability and, consequently, housing prices. A survey of several active homebuilders was conducted to gain insight relative to market conditions over the past several quarters. While new home sales trended downward over the course of 2022, for many submarkets the compression was most pronounced in late 2022. The duration of the downward trend was short-lived in some submarkets and lingering in others. However, the consensus among active market participants is the downward trend has stabilized or reversed, based on submarket, with limited evidence of ongoing downward pressure. In many new home submarkets, sales began rising in the Spring of 2023; this is partially due to low resale inventory, as existing homeowners with low interest rate mortgages have reconsidered a move, with a corresponding higher interest rate mortgage. The result is a more constrained resale market inventory, leading many first-time buyers to find increased opportunities in the new home market despite higher prices than resale homes.

Market data indicates many new homebuyers have adjusted their budgets to current interest rates, which appear to have stabilized, and seem more confident in their expectations of interest rate activity in the near term. Homebuilders are still offering concessions in the market to buy down the interest rates for prospective buyers, which decreases the net sale price to the homebuilders, but allows more buyers to afford the new home product; this trend is expected to continue in the near term, as the higher interest rate environment has led to tighter lending standards.

Submarket Overview

The subject is located in the unincorporated community of Winchester in Riverside County. The subject's community most resembles the neighboring community of Menifee; therefore, we will also include data from this city. The subject is adjacent to newer home construction and planned future development and is considered to have good transportation linkages. The neighborhood is characterized as a suburban area that appeals to both local workers and commuters. Based on existing surrounding homes and new projects under development, the subject characteristics best support a project designed for a combination of entry-level and/or first-time move-up home buyers.

Single-Family Building Permits

Single-family building permits for the city of Menifee as well as Riverside County totals are shown in the following table. When we compare the trend in permitting, population and price, there can be a relationship. More supply of homes could eventually mean lower prices, whereas conversely a lower number of permits pulled could eventually mean higher prices. Further, the number of permits pulled shows builder confidence in the current market when compared to other years.

Single-Family Building Permits

Year	City of Menifee		Unincorporated Areas of Riverside County		County of Riverside	
		% Change		% Change		% Change
2013	374	--	726	--	4,432	--
2014	490	31.02%	796	9.64%	5,074	14.49%
2015	408	-16.73%	975	22.49%	4,934	-2.76%
2016	565	38.48%	1,512	55.08%	5,987	21.34%
2017	717	26.90%	1,325	-12.37%	6,703	11.96%
2018	976	36.12%	1,966	48.38%	7,676	14.52%
2019	1,017	4.20%	1,750	-10.99%	7,002	-8.78%
2020	1,410	38.64%	2,524	44.23%	8,895	27.04%
2021	1,264	-10.35%	1,404	-44.37%	7,835	-11.92%
2022	904	-28.48%	2,274	61.97%	8,461	7.99%

Source: SOCDS Building Permits Monthly Request

Single-Family Building Permits: 2023 Preliminary Data

Month	City of Menifee		Unincorporated Areas of Riverside County		County of Riverside	
January	53		126		385	
February	2		223		586	
March	69		247		750	
April	162		187		711	
May	113		404		1,084	
June	87		265		1,227	
July	0		179		474	
August	0		202		671	
September	41		169		515	
October	97		179		645	
	624		2,181		7,048	

Source: SOCDS Building Permits Monthly Request

Active New Home Projects Pricing and Absorption

The city of Hemet is located within the South Riverside submarket of the Inland Empire. The Ryness Report provides a comparison of sales activity between various regions and markets, including year-to-date totals from the same week of the previous year. Their surveys and reports include sales, buyer traffic, and financing rates on activity in major residential developments throughout California, Arizona, and Nevada. The report for the Inland Empire for the week ending December 10, 2023, is included as follows.

THE RYNESS REPORT

A New Home Sales, Marketing & Research Company

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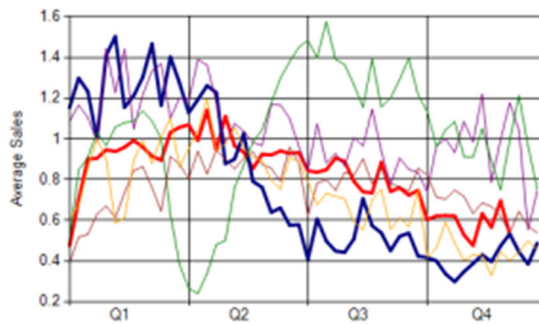
Inland Empire

Week 49

Ending: Sunday, December 10, 2023

Counties / Groups	Projects	Traffic	Sales	Cancel	Net Sales	Avg. Sales	Year to Date Avg.	Diff.	Prev. 13 Wks. Avg.	Diff.
Central-North Central Riverside	50	482	41	2	39	0.78	0.88	-11%	0.69	13%
Desert Riverside	21	248	17	1	16	0.76	0.71	7%	0.53	44%
Murrieta - Temecula	15	381	12	2	10	0.67	0.80	-16%	0.62	7%
Northwest Riverside	24	258	9	3	6	0.25	0.79	-68%	0.61	-59%
South Riverside	50	557	33	7	26	0.52	0.88	-41%	0.72	-28%
Central-East San Bernardino	34	523	15	1	14	0.41	0.83	-50%	0.60	-32%
Desert San Bernardino	17	110	7	1	6	0.35	0.70	-49%	0.55	-35%
NW-SW San Bernardino	30	515	13	2	11	0.37	0.89	-59%	0.65	-44%
Current Week Totals	Traffic : Sales	21 : 1	241	3074	147	19	128	0.53	0.83	-36%
Per Project Average			13	0.61	0.08	0.53				
Year Ago - 12/11/2022	Traffic : Sales	18 : 1	231	2687	150	27	123	0.53	0.76	-30%
% Change			4%	14%	-2%	-30%	4%	0%	9%	54%

52 Weeks Comparison



Year to Date Averages Through Week 49


Annual

Graph Legend	Year	Avg. Weekly Projects	Avg. Weekly Traffic	Avg. Weekly Sales	Avg. Weekly Cancels	Avg. Project Sales	Year End Avg. Proj. Sales
■	2018	156	34	0.88	0.17	0.71	0.69
■	2019	219	30	0.91	0.14	0.77	0.76
■	2020	240	24	1.17	0.16	1.01	1.01
■	2021	196	26	1.20	0.13	1.07	1.05
■	2022	203	21	0.98	0.22	0.76	0.74
■	2023	247	21	0.96	0.13	0.83	0.83
% Change:		22%	0%	-2%	-40%	9%	12%

* Averages rounded for presentation. Change % calculated on actual numbers.



WEEKLY FINANCIAL NEWS

Financing			Market Commentary
	RATE	APR	<p>Home affordability in America dropped to a record low in 2023, according to a report released last week by the real estate brokerage firm Redfin. The Seattle-based company said this year has been the most expensive year for home-buying in its records. A homebuyer making the median U.S. annual income of \$78,642 had to spend 41.4% of their total income on housing costs if they bought a median-priced U.S. house (\$408,806) in 2023. "A perfect storm of inflation, high prices, soaring mortgage rates and low housing supply caused 2023 to go down as the least affordable year for housing in recent history," Redfin Senior Economist Elijah de la Campa said in a press release.Redfin's analysis assumes a 20% down payment, principal, interest, taxes and insurance; median home sale prices; and average monthly mortgage rates. The report noted that the housing market of recent years has totally blown up the conventional wisdom on budgeting: Don't spend more than 30% of your earnings on housing. Source: Jennifer Shea International Business Times</p>
CONV	6.25%	6.61%	
FHA	6.50%	6.85%	
10 Yr Yield	4.27%		
			

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811 San Ramon Valley Boulevard, Danville, California 94526 (925) 820-3432

The absorption within the Inland Empire has dropped 2% from a year ago from a lower interest rate period to a period with higher interest rates. The number of projects within Inland Empire varies year by year due to the extended entitlement and development timelines.

The Ryness Report has identified 50 active projects in the South Riverside submarket, with 14 of those within the unincorporated community of Winchester. These projects are summarized as follows:

The Ryness Report

Week Ending
Sunday, December 10, 2023

Inland Empire
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Development Name	Developer	City Code	Notes	Type										
South Riverside					Projects Participating: 50									
					Units	New Ref.	Ref'd Orig.	Traffic	Wk's Sales	Wk's Cans	Sold to Date	Sold YTD	Avg. Sls /Week	Avg. Sls /YTD
Boulder Creek	Beszer	WD		DTMU	108	0	4	5	0	0	75	52	0.89	1.06
Village, The	Century	ME		DTMU	126	0	2	33	1	0	18	18	1.25	1.25
North Sky	DR Horton	WN		DTMU	129	3	3	17	2	1	79	79	1.70	1.70
Pleasant Valley Ranch	DR Horton	WN		DTMU	202	3	3	24	2	0	169	96	1.85	2.00
Pradera Place	DR Horton	WN		DTMU	210	3	1	9	3	0	42	42	2.06	2.06
Pradera Pointe	DR Horton	WN		DTMU	210	0	1	8	2	0	33	33	1.62	1.62
Carrera at Terracina	KB Home	LE		DTMU	224	0	15	18	0	0	8	8	0.85	0.85
Cheyenne at Olivebrook	KB Home	WN		DTMU	154	0	7	9	1	0	99	89	1.79	1.82
Crimson Hills	KB Home	LE		DTMU	151	0	21	10	0	0	125	53	1.09	1.08
Durango at Shadow Mountain	KB Home	ME		DTMU	78	0	11	5	0	0	67	41	0.89	0.84
Oak Shade at Shadow Mountain	KB Home	ME		DTMU	159	0	14	10	0	0	87	49	1.14	1.00
Poppy at Countryview	KB Home	ME		DTMU	124	0	23	10	0	0	67	48	0.94	0.98
Rock Meadows at Olivebrook	KB Home	WN		DTMU	72	0	9	15	0	0	61	56	1.10	1.14
Sage at Countryview	KB Home	ME		DTMU	173	0	22	11	3	0	85	63	1.19	1.29
Verano	KB Home	WD		DTMU	77	0	19	20	1	1	47	45	0.85	0.92
Villa Real at Terracina	KB Home	LE		DTMU	179	0	14	15	0	0	4	4	0.42	0.42
Horizon Place	Lennar	WD		ATMU	136	0	9	14	0	0	47	47	1.15	1.15
Quartz Ranch Meadow Walk	Lennar	ME		DTMU	157	0	6	2	1	0	72	43	0.93	0.88
Quartz Ranch Canyon View	Lennar	ME		DTMU	125	0	7	13	0	0	83	49	1.08	1.00
Quartz Ranch Ridgeline	Lennar	ME		DTMU	97	1	3	7	0	0	87	58	1.13	1.18
Rockport Ranch North Shore	Lennar	ME		DTMU	56	0	2	23	1	1	28	28	0.92	0.92
Rockport Ranch South Shore	Lennar	ME		DTMU	153	0	5	27	3	0	31	31	1.02	1.02
Rockport Ranch West Shore	Lennar	ME		DTMU	96	0	7	15	0	0	29	29	0.95	0.95
Sevilla	Lennar	WN		ATMU	180	3	6	5	1	0	97	64	1.10	1.31
Nichols Ranch Highland 50's	Meritage	LE		DTMU	91	4	11	22	2	0	17	17	0.64	0.64
Nichols Ranch Hilltop 45's	Meritage	LE		DTMU	77	7	16	22	2	0	22	22	0.83	0.83
Sumac Ridge 50's	Meritage	ME		DTMU	117	0	2	4	0	0	81	54	0.99	1.10
Sumac Ridge 70's	Meritage	ME		DTMU	58	0	1	4	0	0	51	33	0.63	0.67
Tierra Del Sol	Meritage	WN		DTMU	139	0	1	11	0	0	96	68	1.18	1.39
Eagle Vista	Pulte	FRV		DTMU	74	0	1	2	0	0	73	41	0.62	0.84
Greenway at Cimarron Ridge	Pulte	ME		DTMU	70	0	3	15	0	0	22	21	0.41	0.43
Meadows at Cimarron Ridge	Pulte	ME		DTMU	116	0	12	11	1	0	29	28	0.54	0.57
Pathway at Cimarron Ridge	Pulte	ME		DTMU	122	0	21	15	0	0	24	24	0.45	0.49
Heritage at Braverde	Richmond American	ME		DTMU	81	0	4	3	0	0	69	46	0.73	0.94
Legacy at Braverde	Richmond American	ME		DTMU	137	0	12	4	0	1	55	40	0.63	0.82
Noble at Audie Murphy Ranch	Richmond American	ME		DTMU	115	0	5	19	0	1	87	34	0.74	0.69
Running Deer Estates	Richmond American	LE		DTMU	96	0	15	6	0	0	71	31	0.69	0.63
Seasons Elevated at Braverde	Richmond American	ME		DTMU	109	0	6	3	0	1	103	41	0.80	0.84
Seasons Ranch at Braverde	Richmond American	ME		DTMU	97	0	3	8	1	1	91	33	0.70	0.67
Azul at Siena	Taylor Morrison	FRV		DTMU	142	0	2	8	3	0	37	36	0.72	0.73
Courts	Taylor Morrison	WN		DTMU	128	0	10	5	0	0	1	1	0.11	0.11
Rosa at Siena	Taylor Morrison	FRV		DTMU	137	0	3	16	1	0	32	31	0.62	0.63
Towns	Taylor Morrison	WN	New	ATMU	124	0	8	5	0	0	0	0	0.00	0.00
Viola at Siena	Taylor Morrison	FRV		DTMU	93	0	4	2	0	0	35	34	0.68	0.69
Aurora at Outlook	TRI Pointe TSO	WN		DTMU	19	0	TSO	0	0	0	17	8	0.19	0.16

Development Name	Developer	City Code	Notes	Type										
South Riverside (Continued ...)					Projects Participating: 50									
					Units	New Rel.	Ref'd Rel'g	Traffic	Wk's Sales	Wk's Cons	Sold to Date	Sold YTD	Av. Sls /Week	Av. Sls /YTD
Copper Skye at Outlook	TRI Pointe	WN		DTMU	140	0	4	14	2	0	76	60	0.93	1.22
Luminary at Outlook	TRI Pointe	WN	New	DTMU	145	0	0	2	0	0	0	0	0.00	0.00
Opal Skye at Outlook	TRI Pointe TSO	WN		DTMU	136	0	TSO	14	0	0	79	64	0.97	1.31
Solstice at Outlook	TRI Pointe TSO	WN		DTMU	26	0	TSO	0	0	0	25	7	0.29	0.14
Sky View	Woodside	ME		DTMU	161	0	5	17	0	0	156	35	0.85	0.71
TOTALS: No. Reporting: 50		Avg. Sales: 0.52		Traffic to Sales: 17 : 1		363	557	33	7	2889	1936	Net: 26		
City Codes: WD = Wildomar, ME = Menifee, WN = Winchester, LE = Lake Escondido, FRV = French Valley														

Project Types:	AAAT = Active Adult ATT , AASF = Active Adult SFD , ATMU = Attached Move-up , ATST = Attached Starter , ATT = Single Family Attached , COHT = Condo/Hotel , CONV = Conversion , DTMU = Detached Move-up , DTST = Detached Starter , HIGH = High Rise , LOFT = Loft , MIDR = Mid-Rise , RWHS = Row Houses , SFD = Single Family Detached
Abbreviations:	SO = Sold Out, TSO = Temporarily Sold Out

Projects considered most similar to the subject are further detailed in the following table.

Active Projects									
Project Name	Community	Developer	Average Price	Avg. Home Size (SF)	Average Price/SF	Units Planned	Units Sold	Avg. Sales/Week	Avg. Sales/Month
North Sky	Winchester	DR Horton	\$632,250	2,704	\$233.82	129	79	1.70	6.80
Pleasant Valley Ranch*	Winchester	DR Horton	\$616,299	2,345	\$262.81	202	169	1.85	7.40
Pradera Place	Winchester	DR Horton	\$513,400	1,591	\$322.69	210	42	2.06	8.24
Pradera Pointe*	Winchester	DR Horton	\$499,500	1,841	\$271.32	210	33	1.62	6.48
Cheyenne at Olivebrook	Winchester	KB Homes	\$533,656	2,000	\$266.83	154	99	1.79	7.16
Rock Meadows at Olivebrook	Winchester	KB Homes	\$530,740	1,904	\$278.75	72	61	1.10	4.40
Sevilla	Winchester	Lennar	\$442,990	1,469	\$301.56	180	97	1.10	4.40
Teirra Del Sol	Winchester	Meritage	\$576,295	1,946	\$296.14	139	96	1.18	4.72
Courts	Winchester	Taylor Morrison	\$508,323	2,124	\$239.32	128	1	0.11	0.44
Towns	Winchester	Taylor Morrison	\$429,990	1,683	\$255.49	124	0	0.00	0.00
Aurora at Outlook	Winchester	Tri Pointe Homes	-	2,350	N/Av	19	17	0.19	0.76
Copper Skye at Outlook	Winchester	Tri Pointe Homes	\$453,500	1,579	\$287.21	140	76	0.93	3.72
Luminary at Outlook	Winchester	Tri Pointe Homes	\$531,000	2,003	\$265.10	145	0	0.00	0.00
Opal Skye at Outlook	Winchester	Tri Pointe Homes	\$482,000	2,043	\$235.93	136	79	0.97	3.88
Solstice at Outlook	Winchester	Tri Pointe Homes	-	2,855	N/Av	26	25	0.29	1.16
		Minimum	\$429,990	1,469	\$233.82				0.00
		Maximum	\$632,250	2,855	\$322.69				8.24
		Average	\$519,226	2,029	\$270.54				3.97
Source: Ryness Reports and Developer's Websites. *Information available was not complete for the average sale price									

The absorption within projects in Winchester most similar to the subject ranged from approximately one to eight sales per month, excluding the new projects, with an average of about four sales per month. Demand in this area from out-of-town buyers has been high with sales agents from several projects noting demand from residences from the San Diego area. Buyers continue to go toward more affordable areas where they can buy a better home. Agents have noted a recent slowdown in sales over the last few weeks as buyers are traveling and getting back into rhythm with kids going to school. Some agents do not believe the slowdown is because of the recent rise in interest rates.

Resale Pricing

The following table shows historical resale data for more recently built homes (2019 and newer) in the unincorporated community of Winchester. The resale market is analyzed as a further gauge of buyer

demand for housing. Often home buyers are considering housing purchase options that cover both the new home market, as well as the resale market.

Resales										
Address	Sale Date	Living Area (SF)	Sale Price	Last List Price	Sales Price/SF	Sale/List	Year Built	Days on Market	Lot Size (SF)	
29519 Tourmaline WAY	8/29/2023	1,397	\$443,224	\$460,000	\$317	96.35%	2022	76	388	
29128 Aubrey CIR	7/20/2023	1,481	\$520,000	\$525,000	\$351	99.05%	2019	6	6,970	
29041 Long Horn LN	8/9/2023	2,035	\$548,125	\$532,990	\$269	102.84%	2022	143	6,122	
29475 Mesquite Way	11/30/2023	1,950	\$535,000	\$535,000	\$274	100.00%	2020	32	6,098	
29457 Adams ST	7/26/2023	2,021	\$550,000	\$549,900	\$272	100.02%	2019	19	6,534	
29066 Long Horn LN	8/24/2023	2,035	\$549,990	\$549,990	\$270	100.00%	2022	257	6,967	
32170 Bunkhouse RD	10/8/2023	1,821	\$575,000	\$550,000	\$316	104.55%	2020	4	6,098	
29432 Wyatt Earp WAY	8/1/2023	2,021	\$560,000	\$559,900	\$277	100.02%	2019	10	6,970	
29115 Dallas CIR	8/1/2023	2,336	\$565,000	\$559,900	\$242	100.91%	2021	61	6,534	
32132 Pony Tracks CT	10/11/2023	2,590	\$570,000	\$570,000	\$220	100.00%	2020	7	N/Av	
29371 Beeler RD	11/24/2023	1,868	\$590,000	\$574,900	\$316	102.63%	2019	45	7,841	
29352 Campfire CIR	6/13/2023	2,201	\$600,000	\$595,000	\$273	100.84%	2019	17	7,841	
29630 Kearney CT	6/19/2023	2,843	\$613,000	\$599,000	\$216	102.34%	2022	133	6,794	
29340 Campfire CIR	9/10/2023	2,419	\$599,900	\$599,900	\$248	100.00%	2019	13	7,841	
29050 Golden Sunset CIR	6/19/2023	2,035	\$612,990	\$612,990	\$301	100.00%	2022	49	6,316	
30503 Concord Coach CT	6/21/2023	2,540	\$615,000	\$615,000	\$242	100.00%	2021	8	12,219	
29337 Marblewood CT	9/15/2023	1,895	\$640,000	\$629,900	\$338	101.60%	2019	3	6,534	
29320 Adams ST	7/17/2023	2,590	\$642,000	\$630,000	\$248	101.90%	2019	12	10,019	
28368 Fressia DR	6/30/2023	2,537	\$630,000	\$630,000	\$248	100.00%	2022	11	8,276	
29808 Vista Ridge RD	6/21/2023	2,474	\$635,750	\$644,900	\$257	98.58%	2020	4	12,262	
30803 Foxhollow DR	8/17/2023	2,474	\$650,000	\$645,000	\$263	100.78%	2020	12	10,001	
30831 Foxhollow DR	8/8/2023	2,705	\$640,000	\$649,900	\$237	98.48%	2020	30	11,143	
29979 Vista Ridge RD	7/25/2023	2,474	\$643,000	\$649,900	\$260	98.94%	2021	10	12,772	
30991 Telegraph Rd	6/21/2023	3,015	\$694,900	\$694,900	\$230	100.00%	2021	13	10,646	
Total Sales	24	2,240 (avg.)	\$592,620 (avg.)	\$590,165 (avg.)	\$270 (avg.)	100.41% (avg.)	2020 (avg.)	41 (avg.)	7,965 (avg.)	

Source: Local Multiple Listing Service (MLS)

Ability to Pay

The Developer is constructing five floor plans ranging in size from 1,898 to 2,617 square feet. In this section, we will examine the ability to pay among prospective buyers for a representative price point of \$550,000 for an estimated 2,300 square foot home, 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 6.50%, 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		
Home Price	\$550,000	
Loan % of Price (Loan to Value)	80%	
Loan Amount	\$440,000	
Interest Rate	6.50%	
Mortgage Payment	\$2,781	
Property Taxes	\$631	Based on 1.1539% and direct charges of \$1,230
Hemet USD CFD No. 2018-1, IA2	\$217	
Property Insurance	\$115	
Total Monthly Obligation	\$3,744	
Mortgage Payment % of Income	40%	
Monthly Income	\$9,359	
Annual Income	\$112,312	

Generally, interest rates have an inverse relationship on the affordability of a home. In short, all else being equal, higher interest rates lower the price point for buyers based on income. Over the past several years, interest rates have remained historically low, often at or below 3.0%. Current mortgage interest rates more closely resemble historic rates and for the most part the home buyer pool appears to recognize that the 3% mortgage rate environment was the anomaly and rates around the 6% level are most likely into the foreseeable future. Interest rates reached above 8% in October of 2023 and have since moderated to the current level of 6.50%, as of the effective date of value.

Prior to mid-2022, homebuilders were able to sell homes faster than they were able to construct them, but with the higher interest rates this has since moderated the pace of sales to a level more in line with builders' ability to deliver. However, there are signs the residential market is beginning to stabilize. In 2023, many markets have generally been stronger than expected, with some homebuilders increasing base prices from the First Quarter 2023. Homebuyers that previously were waiting on the sidelines either in anticipation of decreasing home prices, or due to interest rate volatility, are beginning to adjust their budgets to the new higher interest rates as home pricing stabilizes. In addition, low inventory and a tight resale market make new construction more attractive.

We have obtained income data from Claritas Spotlight by Environics Analytics, for a 10-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. In the following table we show the income brackets within the noted area, along with estimates of the percentage of households able to afford homes priced at the representative price point within each income bracket.

Household Ability					
Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
< \$15,000	9,447	6.8%	0.0%	0	0.0%
\$15,000 - \$24,999	9,600	6.9%	0.0%	0	0.0%
\$25,000 - \$34,999	9,479	6.8%	0.0%	0	0.0%
\$35,000 - \$49,999	13,660	9.8%	0.0%	0	0.0%
\$50,000 - \$74,999	22,879	16.4%	0.0%	0	0.0%
\$75,000 - \$99,999	18,738	13.5%	0.0%	0	0.0%
\$100,000 - \$124,999	15,068	10.8%	50.8%	7,647	5.5%
\$125,000 - \$149,999	11,669	8.4%	100.0%	11,669	8.4%
\$150,000 - \$199,999	13,529	9.7%	100.0%	13,529	9.7%
\$200,000 - \$249,999	7,585	5.4%	100.0%	7,585	5.4%
\$250,000 - \$499,999	5,484	3.9%	100.0%	5,484	3.9%
\$500,000+	<u>2,091</u>	<u>1.5%</u>	100.0%	<u>2,091</u>	<u>1.5%</u>
	139,229	100.0%		48,005	34.5%

Conclusions

Demand for homes in the subject's market area is considered to be dynamic at the current time as indicated by the overall trend of building permit activity, new home sales prices and activity in recent quarters as well as the absorption rate within new home projects in the subject's area.

Property Analysis

Land Description and Analysis

Location

The property is generally located along the north line of Simpson Road, east of Leon Road and west of Dawn Lane, within the unincorporated community of Winchester, Riverside County, California.

Assessor Parcel Numbers

The subject consists of the following parcels 462-191-009 through -016, 462-192-001 through -008, 462-200-001 through -008, 462-201-001 through -005, 462-202-001 through -048, 462-210-001 through -007, 462-211-001 through -012, 462-212-001 through -005, and -011. Note these parcels consist of the assessed and appraised parcels. As noted, the subject consists of 102 residential lots that have a final map in place. The subject consists of 19.70 developed acres. The subject lots have a typical lot size of 7,250 square feet.

Shape and Dimensions

The site is irregular in shape; however, the individual single-family lots are generally rectangular in shape. Site utility based on shape and dimensions is average.

Topography

The site is generally level and at street grade. The topography does not result in any particular development limitations.

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.

Flood Hazard Status	
Community Panel Number	06065C-2080H
Date	April 19, 2017
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

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.

Seismic Hazards

According to the Seismic Safety Commission, the subject property is located within Zone 3, which is considered to be the lowest risk zone in California. Though properties located east of the subject are noted as being within earthquake fault zones. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is not located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

Fire Hazard Risk

The unincorporated community of Winchester is subject to both wildland and urban fires. The natural vegetation in the area is highly prone to fire and urbanized portions of the city are subject to structural fires. The vegetation and geographical landscape consist of rolling hills covered in annual grasses and chaparral. Winchester is not immune to numerous types of grass and brush fires and any one of them may accelerate into a large urban interface wildfire. Such a situation could lead to evacuation of large portions of the population and the potential for significant loss of personal property, structures and rangeland. However, it is ultimately each homeowner's responsibility to establish and maintain the physical characteristics of a fire-safe interface property and that the Riverside County also has a responsibility to insure that future planning and zoning decisions for development adjacent to open space areas include sufficient provisions for the clearance required to protect new and future structures. The subject is not located within a very high fire hazard severity zone.

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.

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
Local Phone	Various

Zoning

The subject is zoned R-1, One-Family Dwelling Unit, by Riverside County Planning Department. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

Zoning Summary	
Zoning Jurisdiction	Riverside County Planning Department
Zoning Designation	R-1
Description	One-Family Dwelling Unit
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Residential uses

According to the local planning department, there are no pending or prospective zoning changes. It appears that the current use of the site is a legally conforming use. 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 prepared by Fidelity National Title dated August 7, 2023. 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.

Development/Construction Status

The subject's current development/construction status from the appraisal log provided is shown in the following table.

Development/Construction Status				
Owner	Finished SFR Lots	Partially-Completed Homes	Completed Homes*	Total
DR Horton Los Angeles Holding Co Inc.	0	33	0	33
Individual Homeowners	--	--	23	23
TOTAL	0	33	23	56

*Completed homes without a complete assessment for structural improvements by County Assessor

Further, a table showing the breakdown of the development status of each floor plan is shown in the following table. Note the homes under construction are held by DR Horton and the remaining homes have been sold to individuals.

Development/Construction Status by Floor Plan						
Floor Plan	No. of Finished Lots	No. of Lots Under Construction	No. of Completed Homes	No. of Homes Sold	Total	Assessed Homes
Residence 1898	0	7	0	6	13	9
Residence 2239	0	12	0	5	17	8
Residence 2435	0	0	0	0	0	9
Residence 2537	0	9	0	7	16	10
Residence 2617	0	5	0	5	10	10
TOTAL	0	33	0	23	56	46

As noted, there are 46 assessed parcels that have a completed assessed value and are not included in the table above. Residence 2435 (3rd floor plan noted above) have completed homes with a complete assessed value, but do not have a complete home that is being appraised. Therefore, this floor plan is not analyzed within this report.

Permits and Fees

Permits and fees for the subject are divided into development impact fees and the building permit fee. Based on the information provided by the developer, the development impact fees are estimated at \$69,966 per lot and the building permit fee is estimated at \$2,809 per lot. Therefore, a total estimate of permits and fees for a subject lot is \$72,775 (\$73,000 rounded). This figure is generally consistent with the area.

According to the developer, there is an estimated \$231,342 in remaining permits and fees due for the subject lots. The remaining permits and fees will be deducted from the estimate of value within the *Market Value by Ownership* section.

Off-site and On-site Improvements

According to the developer, there are still some remaining site improvements related to finishing the grading, wet and dry utilities, common area improvements, and the final cap on the streets. Further, some of the homes under construction do not have sidewalks and other off-site improvements.

As stated in the *Sale History* section, site development to improve the lots was estimated at \$15,400,862 or \$76,242 per lot. However, since the prior estimate was provided, site development costs have increased for the subject property. The estimated site development costs have increased to \$16,444,459 or \$81,408 per lot for the entire community, which is comprised of 202 lots. There is an estimated \$3,643,557 in remaining site development costs. The developer did not provide a separate site development cost breakdown for the subject lots.

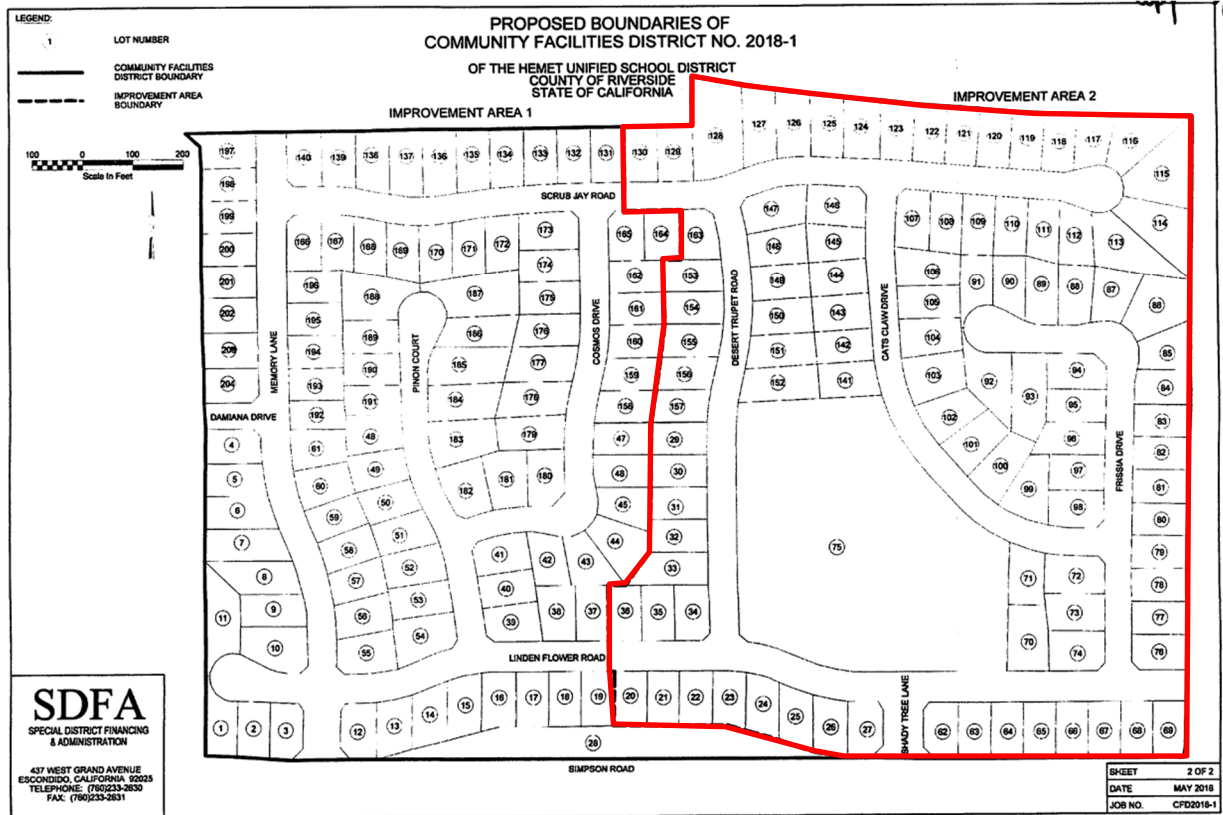
The subject's portion is 102 lots of a larger 202 lot community. The subject represents the second phase of the development, and a majority of the remaining site development costs specifically benefit the subject property (IA2). Therefore, all of the remaining site development costs will be deducted

from the developers holdings (33 homes under construction) within the *Market Value by Ownership* section.

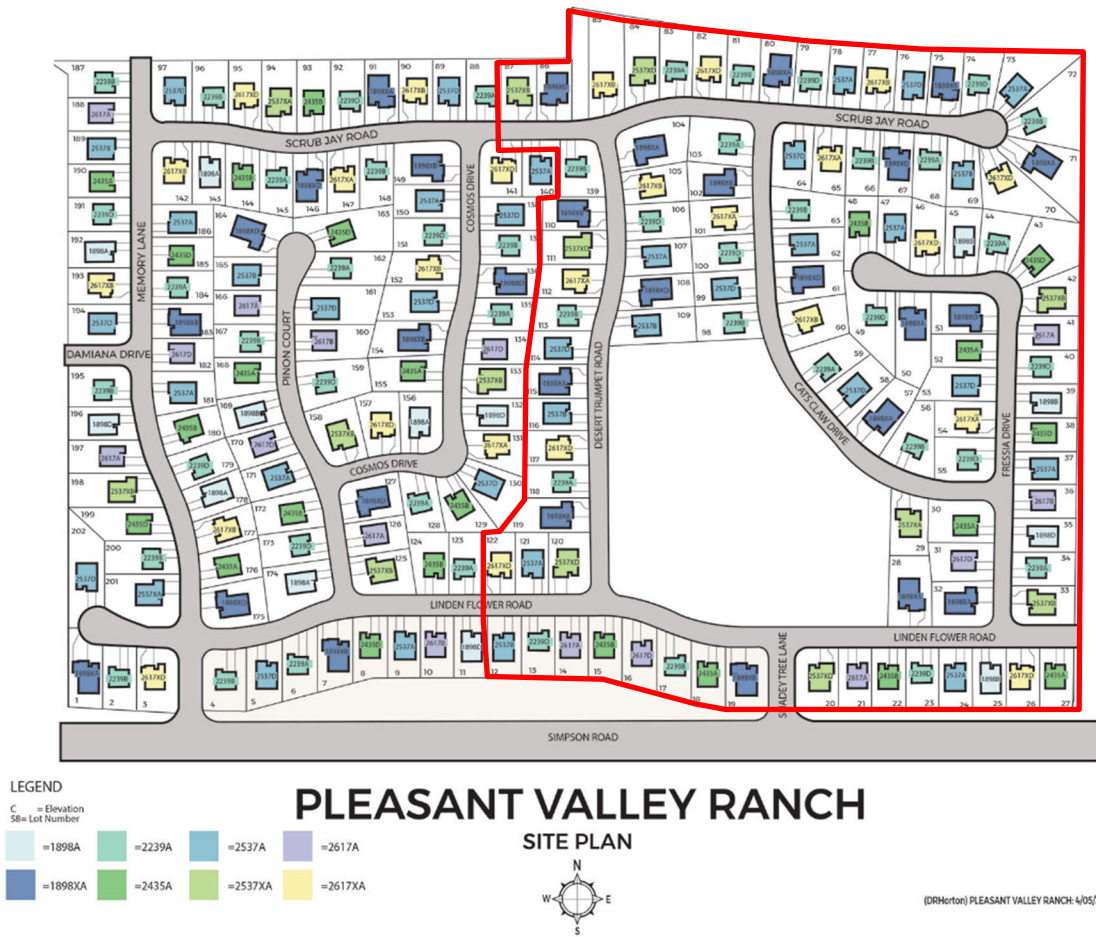
Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for those residential uses permitted by zoning. We are not aware of any other particular restrictions on development.

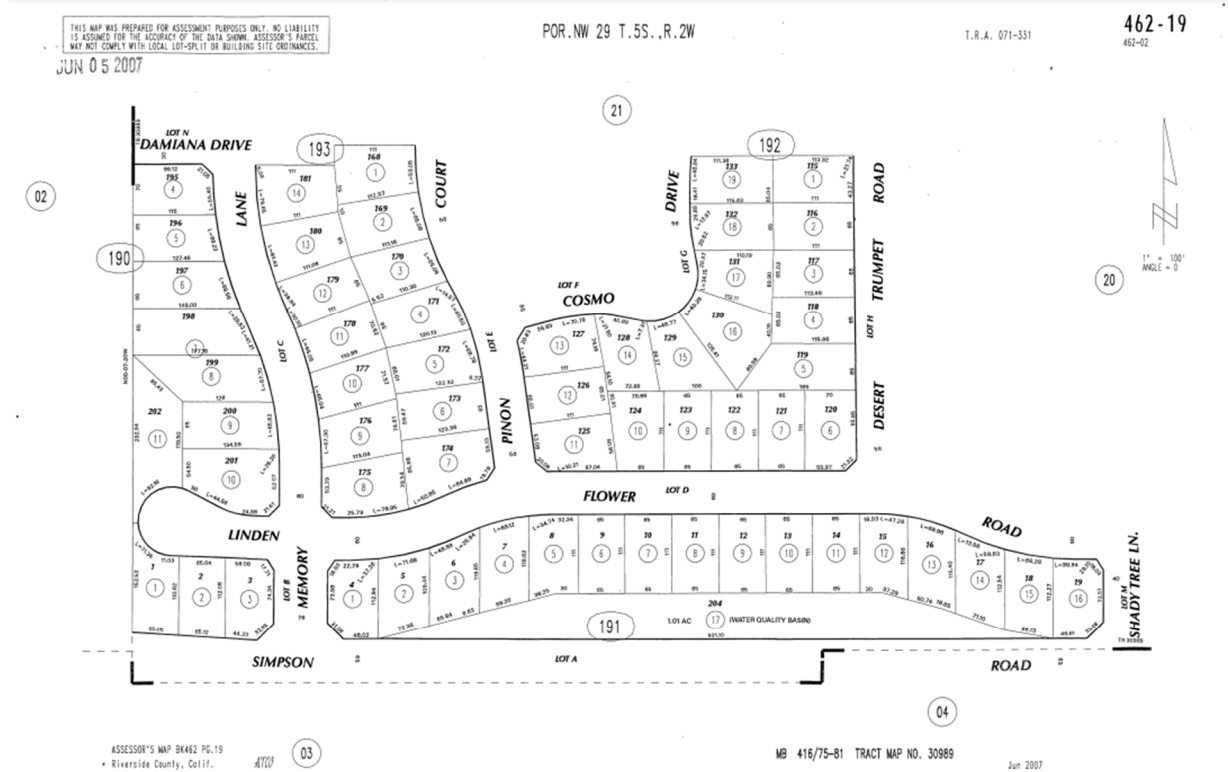
Boundary Map

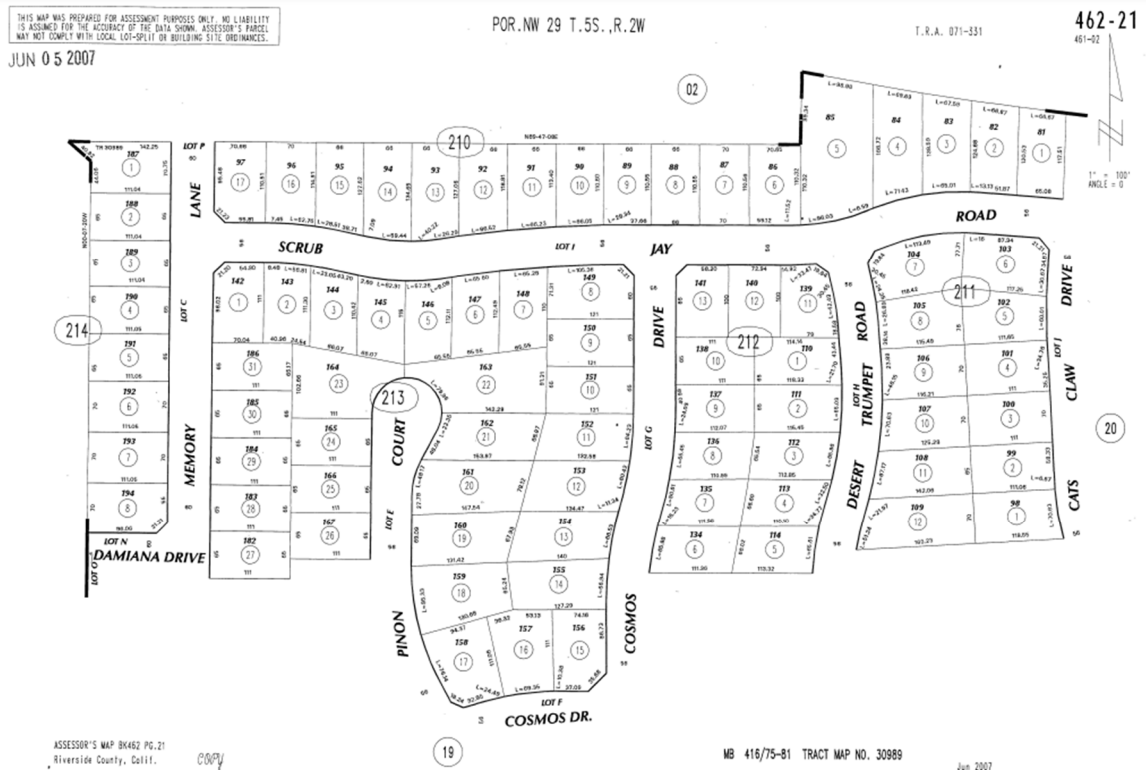


Site Plan



Parcel Maps





Proposed Improvements Description

Overview

The subject represents a portion of a 202-lot community called Pleasant Valley Ranch being developed by DR Horton.

Floor Plan Summary

Floor Plan	No. of Living		Bedroom	Bathroom	Stories	Garage	Typical Lot		Developer's Base	Comments
	Units	Area (SF)					Size (SF)	Price		
Residence 1898	22	1,898	4	3.0	One	3-Car	7,250	\$604,490		
Residence 2239	25	2,239	4	3.0	Two	2-Car	7,250	\$593,990		
Residence 2435	9	2,435	4	3.0	Two	2-Car	7,250	-		Multi-gen suite
Residence 2537	26	2,537	5	3.0	Two	2-Car	7,250	\$609,990		Multi-gen suite
Residence 2617	20	2,617	4	3.5	Two	2-Car	7,250	\$656,725		

A complete interior finish profile was not provided and is presumed to be of typical quality for the area (average to good overall quality). According to the sales agent, Residence 2435 is not currently being marketed at the subject property because they have sold out of this floor plan. Two of the floor plans have a multigenerational suite, which has become more common over the past several years. The separate suite can either be rented out to offset some of the mortgage or have a separate living space for another generation of the household.

The subject does not have a Homeowner's Association (HOA). Additionally, the subject does not have any affordable housing requirements. The subject's floor plans can be seen on the developer's website.









Real Estate Taxes

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

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

Ad Valorem Taxes

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the remaining property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised properties. According to the Riverside County Treasurer-Tax Collector's Office, the subject is located in tax rate areas 071-331, which have a tax rate of 1.1539% for tax year 2023-24 (latest available), based on assessed value. In addition, the appraised properties are subject to direct charges. Based on the direct charges for tax year 2023-24 of completed homes within the subject property, it is estimated the subject has direct charges of approximately \$1,230 per lot.

Special Assessments

All of the appraised properties are encumbered by the Special Tax Lien of Hemet USD CFD No. 2018-2, IA2, that also increase 2% per year. With respect to special taxes, we have relied upon information provided by the Hemet USD CFD No. 2018-1, IA2 special tax consultant, for the annual special tax levy on the appraised properties, which are shown as follows for tax year 2023-24:

Special Tax Table (Fiscal Year 2023-2024)

Land Use Category	Square Footage Category	Assigned Special Tax
Single-Family Detached Property	Less than 1,601 SF	\$2,324 per unit
Single-Family Detached Property	1,601 - 1,800 SF	\$2,369 per unit
Single-Family Detached Property	1,801 - 2,000 SF	\$2,416 per unit
Single-Family Detached Property	2,001 - 2,200 SF	\$2,554 per unit
Single-Family Detached Property	2,201 - 2,400 SF	\$2,600 per unit
Single-Family Detached Property	2,401 - 2,600 SF	\$2,693 per unit
Single-Family Detached Property	2,601 - 2,800 SF	\$2,729 per unit
Single-Family Detached Property	2,801 - 3,000 SF	\$2,784 per unit
Single-Family Detached Property	Greater than or equal to 3,000 SF	\$2,831 per unit
Other Property	N/A	\$14,830 per unit

Source: Rate and Method of Apportionment of Special Taxes

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 legal factors influencing the highest and best use of the subject property are primarily government regulations, such as zoning and building codes. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The site is zoned R-1, and the permitted use is residential. The subject property has an approved final map for 102 single-family homes on individual lots and associated improvements. 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 residential use is given further consideration in determining the highest and best use of the site, as though vacant.

Physically Possible

The physical characteristics of a site that affect its possible use include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, offsite improvements, easements and soil and subsoil conditions. The legally permissible test has resulted in single-family residential development; at this point the physical characteristics are examined to see if they are suited for the legally permissible use.

The physical characteristics of the subject property support development. All utilities are available to the perimeter of the site, with a majority of the offsite improvements in place. The property is not located within an adverse earthquake, flood, or fire zone. Further, the subject is proximate to new development and development appears possible. Surrounding land uses are compatible and/or similar. Development on adjacent properties provides support that soils are adequate for development.

Financially Feasible

Financial feasibility depends on supply and demand influences. With respect to financial feasibility of single-family residential development, consideration to the current state of the residential housing market and its impact on the residential land market is necessary. As previously discussed in the

Residential Market Analysis section, the significant rise in mortgage interest rates had an inverse relationship on the affordability of a home. Prior to the second half of 2022, interest rates remained historically low, often at or below 3.0%. Conversations with sales agents in multiple new home projects noted there was a slowing in demand for new residential homes in the second half of 2022, with some buyers priced out of entry-level (lower-priced) homes. Current mortgage interest rates more closely resemble historic rates and for the most part the home buyer pool appears to recognize that the 3% mortgage rate environment was the anomaly and rates around the 6% level are most likely into the foreseeable future. Interest rates reached above 8% in October of 2023 and have since moderated to the current level of 6.50%, as of the effective date of value.

Prior to mid-2022, homebuilders were able to sell homes faster than they were able to construct the homes, but with moderating demand due to rising interest rates and inflation factors, construction delivery is no longer a project challenge. The downward shifts in home prices in the second half of 2022 had a significant impact on underlying land/lot values, and land brokers indicated an abrupt drop in builder demand for developable lots and challenges in selling lots presently available during that time period. Recent market conditions for new homes, constraints on new home inventory, appears to have reversed this trend and builders are once again looking to increase buildable lot inventories. Reports from active market participants indicate that while only a few bulk lot purchases have closed to builders lately, there is increased interest and several pending sales are in the due diligence period for acquisition, and lot pricing is surpassing the previous peak in early 2022 in many markets.

Current market conditions once again support development of partially improved and unimproved residential lots. With new, lower lot prices, land development to residential lots is again financially feasible (if the vacant land is acquired at prices commensurate with current new home pricing). This return to feasibility is driven by new home buyers in 2023 adjusting their budgets to the new interest rates and making purchases. Due to depleting existing lot inventories for many builders, additional land and lot acquisitions may be the maximally productive use of vacant land.

Maximally Productive

Legal, physical, and market conditions have been analyzed to evaluate the highest and best use of the appraised properties as vacant. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, the maximally productive use of the appraised properties, and their highest and best use as vacant is for near-term single-family residential development.

As Improved (Proposed)

As with the highest and best use as though vacant, the four tests of highest and best use must also be applied to the subject property considering the in-place improvements. Consideration must be given to the continued as-is use of the subject, as well as alternative uses for the subject. The potential alternative uses consist of demolition, expansion, conversion or renovation.

In the case of undeveloped land under development, consideration must be given to whether it makes sense to demolish existing improvements (either on-site or off-site improvements) for replacement with another use. The time and expense to demolish existing improvements, re-grade, reroute utilities or re-map must be weighed against alternative uses. If the existing or proposed improvements are not

performing well, then it may produce a higher return to demolish existing improvements, if any, and re-grade the site for development of an alternative use.

Based on the current condition, the improvements completed contribute to the overall property value, including those lots with home construction underway. The value of the subject property as improved exceeds its value as vacant less demolition. The highest and best use of the subject property as improved is for completion of the remaining single-family homes.

Most Probable Buyer

In conjunction with the definition of market value, this appraisal assumes a hypothetical sale of the subject properties to a probable buyer/user, as of the date of value. The subject is considered to have good appeal for production homes. The most probable buyer would be a homebuilder for the homes under construction as well as individual homeowners for the completed homes.

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 for the 56 Appraised Properties		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

Market Valuation – Floor Plans

The market value of the subject's floor plans with a completed home are estimated in this section. The objective of the analysis is to estimate the base price, 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 sales comparison approach to value is employed in order to provide an opinion of market value for each floor plan.

This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 15th Edition (Chicago: Appraisal Institute, 2020), *"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). Attempts were made to obtain appraisal logs from surrounding communities; however, those attempts were not returned. Further, we searched the Multiple Listing Service (MLS) for resales of comparables properties. The comparables utilized in the following analysis are from the subject's community as well as Rock Meadows at Olivebrook developed by KB Homes.

The sales comparison approach to value is employed in order to establish the market values for each of the subject's 23 floor plans with a completed home. Further, for the homes with various options of the number of bedrooms or bathrooms, consistent with the "not-less-than" valuation, we will utilize the lesser of the two options. The floor plans, either existing or under construction within the community are shown in the following table.

Floor Plan Summary									
Floor Plan	No. of Living		Bedroom	Bathroom	Stories	Garage	Typical Lot		Developer's Base Price
	Units	Area (SF)					Size (SF)		
Residence 1898	22	1,898	4	3.0	One	3-Car	7,250		\$604,490
Residence 2239	25	2,239	4	3.0	Two	2-Car	7,250		\$593,990
Residence 2435	9	2,435	4	3.0	Two	2-Car	7,250		-
Residence 2537	26	2,537	5	3.0	Two	2-Car	7,250		\$609,990
Residence 2617	20	2,617	4	3.5	Two	2-Car	7,250		\$656,725

The comparable sales are summarized in the following table.

Comparable Home Sale Summary

No.	Address	Contract Date	Sale Price	Close of Escrow	Living Area (SF)	Bedroom	Bathroom	Garage	Year Built	Lot Size (SF)
1	28382 Desert Trumpet Road	11/5/2023	\$610,435	11/28/2023	1,898	4	3.0	3-Car	2023	8,644
2	31228 Scrub Jay Road	11/5/2023	\$618,150	12/5/2023	1,898	4	3.0	3-Car	2023	7,809
3	28451 Desert Trumpet Road	10/31/2023	\$593,020	11/30/2023	1,898	4	3.0	3-Car	2023	9,131
4	28402 Cats Claw Drive	12/3/2023	\$615,400	Pending	2,239	4	3.0	2-Car	2024	8,893
5	31231 Scrub Jay Road	11/12/2023	\$608,400	12/12/2023	2,239	4	3.0	2-Car	2023	7,204
6	29318 Searchers Ct	6/25/2023	\$608,843	Pending	2,378	4	2.0	2-Car	2023	8,149
7	28366 Cats Claw Road	12/10/2023	\$628,285	Pending	2,537	5	3.0	2-Car	2024	8,243
8	38441 Cats Claw Drive	11/12/2023	\$650,365	Pending	2,537	5	3.0	2-Car	2024	8,120
9	28357 Cats Claw Drive	11/17/2023	\$677,715	Pending	2,617	4	3.5	2-Car	2024	7,778
10	28373 Desert Trumpet Road	11/5/2023	\$672,770	12/15/2023	2,617	4	3.5	2-Car	2023	7,467

Discussion of Adjustments

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.

Special Taxes

Bond debt has a direct impact on the amount for which the end product will sell. In an effort to account for the impact of bond indebtedness on the sales price, we establish a present value amount for the difference in the bond encumbrance between the subject and comparables based on the annual assessment, and the estimated average holding period of a single-family home, which is estimated at 13 years. The subject property is encumbered by bonds. We were unable to confirm whether the comparables within Rock Meadows at Olivebrook are encumbered by bonds; however, due to the prevalence of bond financing in the market it is assumed Rock Meadows at Olivebrook has

a similar level of bond encumbrance and is not adjusted for in this analysis. As previously shown, the special taxes for the subject are shown in the table below.

Special Tax Table (Fiscal Year 2023-2024)		
Land Use Category	Square Footage Category	Assigned Special Tax
Single-Family Detached Property	Less than 1,601 SF	\$2,324 per unit
Single-Family Detached Property	1,601 - 1,800 SF	\$2,369 per unit
Single-Family Detached Property	1,801 - 2,000 SF	\$2,416 per unit
Single-Family Detached Property	2,001 - 2,200 SF	\$2,554 per unit
Single-Family Detached Property	2,201 - 2,400 SF	\$2,600 per unit
Single-Family Detached Property	2,401 - 2,600 SF	\$2,693 per unit
Single-Family Detached Property	2,601 - 2,800 SF	\$2,729 per unit
Single-Family Detached Property	2,801 - 3,000 SF	\$2,784 per unit
Single-Family Detached Property	Greater than or equal to 3,000 SF	\$2,831 per unit
Other Property	N/A	\$14,830 per unit
Source: Rate and Method of Apportionment of Special Taxes		

Upgrades and Concessions

The objective of the analysis is to estimate the base value per floor plan, net of concessions. Concessions can take the form of direct price reductions or non-price incentives such as upgrades, interest buy-downs or non-recurring closing costs.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facilities districts and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are 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. Under current market conditions, interest rate buy-downs and credits toward closing costs are commonplace. Often times these concessions are part of an overall offer by the builders (other common concession dollars are allocated toward upgrades). The cash equivalency amount for rate buy-downs is essentially the cost of the buy-down. In this analysis all concession dollars offered a buyer will be accounted for in the Upgrades and Concessions line item. No separate financing adjustments were required.

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. Adjustments for this factor do 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.

Rising interest rates have caused turmoil in the market over the last several quarters. Interest rates began to rise rapidly in the first and second quarter of 2022 and have since flattened out. With the market volatility in the second half of 2022, buyers were concerned with settling for a higher interest rate, but were also waiting to see if home prices would decline. Some buyers accepted the higher interest rates but wanted assurance they weren't overpaying for a home that would soon drop in price. Reportedly, many new homebuyers have now adjusted their budgets to current interest rates, which have stabilized, and seem more confident in their expectations of interest rate activity in the near term. Homebuilders are still offering concessions in the market to buy down the interest rates for prospective buyers, which decreases the net sale price to the homebuilders, but allows more buyers to afford the new home product; this trend is expected to continue in the near term, as the higher interest rate environment has led to tighter lending standards.

Base prices have slightly increased over the last few months for the subject property; however, concessions and incentives have also increased over this same time period. One sales agent in Winchester noted they have had a decrease in traffic due to the holidays, which was to be expected. The agent also noted they are offering concessions to offset closing costs and/or upgrades. Most of the comparables went under contract within the approximately three months from the date of value. Market conditions have remained relatively stable over this time period and no adjustments are warranted. However, Comparable 6 went under contract in June of 2023 and while base prices have

increased over this time period, but so has concessions. Therefore, we have adjusted this comparable downward slightly for a change in market conditions.

Location

Location is an especially 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 subject and all of the comparables are located in Winchester. No adjustments are warranted for location.

Community Appeal

In addition to market location adjustments, we consider community appeal adjustments. Even within a specific market location, often specific community characteristics influence sale prices. Often, prices on one street may be significantly higher or lower than the next, despite similar home characteristics. Community characteristics that may influence sale prices include either a gated entry, community amenities (i.e. common area pool) or the condition of surrounding development.

The subject and all of the comparables have similar community appeal; therefore, no adjustment for community appeal is required.

Lot Size

The lot size adjustment pertains to the differences between the subject's typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The amount of the adjustment used in the comparison of the base lot sizes comes from a survey of premiums paid for larger lots. Considering the average lot size adjustments factors indicated by the comparable sales utilized in this analysis, a lot size adjustment factor of \$8.00/SF is considered reasonable for the subject's residential lots. This figure is supported by our observations of sales in the subject's market area.

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. A number of the comparables are either located on corner lots or are within a cul-de-sac and warrant an additional downward adjustment.

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. All of the comparables represent new construction and do not warrant an adjustment for age/condition.

Functional Utility

The appraised properties and comparables represent traditional detached single-family residential construction on similar lot size categories as the subject. Adjustments for this factor do not apply.

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 \$7,500 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 Residential Cost Handbook by CoreLogic. Considering the fact that plumbing upgrades for existing bathrooms generally range from \$5,000 to over \$25,000 for the various fixtures, the \$7,500 per fixture, or half-bath, is supported. Consequently, a factor of \$15,000 per full bath would be applicable for a full bath difference.

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.

The typical range indicated by the paired units in this analysis generally demonstrated a value range from approximately \$50 to upwards of \$125 per square foot. Considering the information cited above, a factor of \$85 per square foot is considered to be appropriate for the subject's product and reasonable for the difference in living area between the subject and the comparables, given the quality of the product.

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 over a two-story unit. Typically, more stories result in additional building area and are accounted for in the size adjustment; however, single-story homes garner a premium in this market. Therefore, adjustments for the number of stories will be made accordingly.

Parking/Garage

The subject and comparables have two and three-car garages. A three-car garage is considered to be superior in comparison to a two-car garage. Therefore, the comparables will be adjusted for the garage size if needed.

Landscaping

Developers provided landscaping in the front yards of all new developments. All of the comparables are new construction and all have landscaping in the front yard only. No adjustment for landscaping is warranted.

Adjustment Grids

The following pages include grids reflecting the aforementioned adjustments.

Residence 1898							
Project Information	Subject Property	Comparable 1		Comparable 2		Comparable 3	
Project Name	Pleasant Valley Ranch	Pleasant Valley Ranch		Pleasant Valley Ranch		Pleasant Valley Ranch	
Plan	Residence 1898	Residence 1898		Residence 1898		Residence 1898	
Address/Lot Number		28382 Desert Trumpet Road		31228 Scrub Jay Road		28451 Desert Trumpet Road	
City/Area	Winchester	Winchester		Winchester		Winchester	
Price	N/Ap	\$610,435		\$618,150		\$593,020	
Price Per SF	N/Ap	\$321.62		\$325.68		\$312.44	
Special Taxes (13-year hold at 5.5%)	\$22,027	\$22,027		\$22,027		\$22,027	
Adjustment		\$0		\$0		\$0	
Adjusted Price (Including Bonds)		\$610,435		\$618,150		\$593,020	
Total Consideration per SF		\$321.62		\$325.68		\$312.44	
Data Source		Project sales agent		Project sales agent		Project sales agent	
Incentives	N/Ap	Yes (\$38,935)		No (\$61,714)		Yes (\$19,706)	
Upgrades	Base	Yes (\$43,945)		Yes (\$47,160)		Yes (\$23,530)	
Effective Base Sales Price		\$527,555		\$509,276		\$549,784	
Adjustments:	Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights	Fee Simple	Similar		Similar		Similar	
Financing Terms	Cash Equivalent	Similar		Similar		Similar	
Conditions of Sale	Market	Market		Market		Market	
Market Conditions							
Contract Date	MV 12/15/2023	11/5/2023		11/5/2023		10/31/2023	
Project Location	Winchester	Winchester		Winchester		Winchester	
Community Appeal	Average	Similar		Similar		Similar	
Lot Size	\$8.00 7,250	8,644	(\$11,152)	7,809	(\$4,472)	9,131	(\$15,048)
Lot Premium	N/Ap	Similar		Similar		Similar	
Design and Appeal	Average	Similar		Similar		Similar	
Quality of Construction	Good	Similar		Similar		Similar	
Age (Total/Effective)	New	Similar		Similar		Similar	
Condition	Good/New	Similar		Similar		Similar	
Functional Utility	Average	Similar		Similar		Similar	
Room Count							
Bedrooms	4	4		4		4	
Baths	\$15,000 3.0	3.0	\$0	3.0	\$0	3.0	\$0
Living Area (SF)	\$85.00 1,898	1,898	\$0	1,898	\$0	1,898	\$0
Number of Stories	One	One		One		One	
Heating/Cooling	Central/Forced	Similar		Similar		Similar	
Garage	\$15,000 3-Car	3-Car		3-Car		3-Car	
Landscaping	Front	Similar		Similar		Similar	
Pool/Spa	None	Similar		Similar		Similar	
Patios/Decks	Patio	Similar		Similar		Similar	
Fencing	Rear	Similar		Similar		Similar	
Fireplace(s)	\$8,000 None	None		None		None	
Kitchen Equipment	Average	Similar		Similar		Similar	
Other	None	Similar		Similar		Similar	
Gross Adjustments			\$11,152		\$4,472		\$15,048
Net Adjustments			(\$11,152)		(\$4,472)		(\$15,048)
Adjusted Retail Value			\$516,403		\$504,804		\$534,736
Concluded Retail Value	\$520,000						
Indicated Value Per SF	\$273.97						

Adjustments were necessary to account for differences between these homes and the subject's floor plan. The sales provide an adjusted range of indicators from \$504,804 to \$534,736 with an average of \$518,648. An estimate of value in the middle of the adjusted range is considered to be reasonable, which is significantly less than the subject's current base price of \$604,490. The base price is significantly above the base prices of the latest sales utilized in this analysis and the base price is not given any emphasis. Therefore, we have concluded an estimate of \$520,000 for Residence 1898 at Pleasant Valley Ranch.

Residence 2239							
Project Information	Subject Property	Comparable 4	Comparable 5	Comparable 6			
Project Name	Pleasant Valley Ranch	Pleasant Valley Ranch	Pleasant Valley Ranch	Rock Meadows at Olivebrook			
Plan	Residence 2239	Residence 2239	Residence 2239	Plan 2378			
Address/Lot Number		28402 Cats Claw Drive	31231 Scrub Jay Road	29318 Searchers Ct			
City/Area	Winchester	Winchester	Winchester	Winchester			
Price	N/Ap	\$615,400	\$608,400	\$608,843			
Price Per SF	N/Ap	\$274.85	\$271.73	\$256.03			
Special Taxes (13-year hold at 5.5%)	\$23,704	\$23,704	\$23,704	\$0			
Adjustment		\$0	\$0	\$0			
Adjusted Price (Including Bonds)		\$615,400	\$608,400	\$608,843			
Total Consideration per SF		\$274.85	\$271.73	\$256.03			
Data Source		Project sales agent	Project sales agent	Project sales agent			
Incentives	N/Ap	No	\$0 Yes	(\$46,239) Yes			
Upgrades	Base	Yes	(\$26,410) Yes	(\$26,410) Yes			
Effective Base Sales Price		\$588,990	\$535,751	\$577,990			
Adjustments:	Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights	Fee Simple	Similar		Similar		Similar	
Financing Terms	Cash Equivalent	Similar		Similar		Similar	
Conditions of Sale	Market	Market		Market		Market	
Market Conditions							
Contract Date	MV 12/15/2023	12/3/2023		11/12/2023		6/25/2023	(\$17,340)
Project Location	Winchester	Winchester		Winchester		Winchester	
Community Appeal	Average	Similar		Similar		Similar	
Lot Size	\$8.00 7,250	8,893	(\$13,144)	7,204	\$368	8,149	(\$7,192)
Lot Premium	N/Ap	Similar		Similar		Sl. Superior	(\$5,000)
Design and Appeal	Average	Similar		Similar		Similar	
Quality of Construction	Good	Similar		Similar		Similar	
Age (Total/Effective)	New	Similar		Similar		Similar	
Condition	Good/New	Similar		Similar		Similar	
Functional Utility	Average	Similar		Similar		Similar	
Room Count							
Bedrooms	4	4		4		4	
Baths	\$15,000 3.0	3.0	\$0	3.0	\$0	2.0	\$15,000
Living Area (SF)	\$85.00 2,239	2,239	\$0	2,239	\$0	2,378	(\$11,815)
Number of Stories	Two	Two		Two		One	(\$17,340)
Heating/Cooling	Central/Forced	Similar		Similar		Similar	
Garage	\$15,000 2-Car	2-Car		2-Car		2-Car	
Landscaping	Front	Similar		Similar		Similar	
Pool/Spa	None	Similar		Similar		Similar	
Patios/Decks	Patio	Similar		Similar		Similar	
Fencing	Rear	Similar		Similar		Similar	
Fireplace(s)	\$8,000 None	None		None		None	
Kitchen Equipment	Average	Similar		Similar		Similar	
Other	None	Similar		Similar		Similar	
Gross Adjustments			\$13,144		\$368		\$73,686
Net Adjustments			(\$13,144)		\$368		(\$43,686)
Adjusted Retail Value			\$575,846		\$536,119		\$534,304
Concluded Retail Value	\$535,000						
Indicated Value Per SF	\$238.95						

Adjustments were necessary to account for differences between these homes and the subject's floor plan. The sales provide an adjusted range of indicators from \$534,304 to \$575,846 with an average of \$548,756. Comparable 4 is given guarded reliance because there are no incentives given to this comparable. It typically takes time for prospective buyers and the developer to settle on incentives in the current market due to buyers customizing options and upgrades. Therefore, we have placed the most reliance on Comparables 5 and 6. We have concluded an estimate of \$535,000 for Residence 2239 at Pleasant Valley Ranch. This estimate is significantly less than the list price for this floor plan of \$593,990.

Residence 2537									
Project Information		Subject Property		Comparable 7		Comparable 8		Comparable 9	
Project Name		Pleasant Valley Ranch		Pleasant Valley Ranch		Pleasant Valley Ranch		Pleasant Valley Ranch	
Plan		Residence 2537		Residence 2537		Residence 2537		Residence 2617	
Address/Lot Number		28366 Cats Claw Road		38441 Cats Claw Drive		28357 Cats Claw Drive		28373 Desert Trumpet Road	
City/Area		Winchester		Winchester		Winchester		Winchester	
Price		N/Ap		\$628,285		\$650,365		\$677,715	
Price Per SF		N/Ap		\$247.65		\$256.35		\$258.97	
Special Taxes (13-year hold at 5.5%)		\$24,552		\$24,552		\$24,552		\$24,881	
Adjustment		\$0		\$0		\$328		\$328	
Adjusted Price (Including Bonds)		\$628,285		\$650,365		\$678,043		\$673,098	
Total Consideration per SF		\$247.65		\$256.35		\$259.09		\$257.20	
Data Source		Project sales agent		Project sales agent		Project sales agent		Project sales agent	
Incentives		N/Ap		\$0 Yes		(\$36,693) No		\$0 Yes	
Upgrades		Base		Yes (\$18,295)		Yes (\$42,375)		Yes (\$38,225)	
Effective Base Sales Price		\$609,990		\$571,297		\$639,818		\$563,738	
Adjustments:	Factor	Description	+/()	Description	+/()	Description	+/()	Description	+/()
Property Rights		Fee Simple	Similar	Similar		Similar		Similar	
Financing Terms		Cash Equivalent	Similar	Similar		Similar		Similar	
Conditions of Sale		Market	Market	Market		Market		Market	
Market Conditions									
Contract Date		MV 12/15/2023	12/10/2023	11/12/2023		11/17/2023		11/5/2023	
Project Location		Winchester	Winchester	Winchester		Winchester		Winchester	
Community Appeal		Average	Similar	Similar		Similar		Similar	
Lot Size	\$8.00	7,250	8,243 (\$7,944)	8,120 (\$6,960)		7,778 (\$4,224)		7,467 (\$1,736)	
Lot Premium		N/Ap	Similar	Similar		Similar		Similar	
Design and Appeal		Average	Similar	Similar		Similar		Similar	
Quality of Construction		Good	Similar	Similar		Similar		Similar	
Age (Total/Effective)		New	Similar	Similar		Similar		Similar	
Condition		Good/New	Similar	Similar		Similar		Similar	
Functional Utility		Average	Similar	Similar		Similar		Similar	
Room Count									
Bedrooms		5	5	5		4		4	
Baths	\$15,000	3.0	3.0	\$0 3.0		\$0 3.5		(\$7,500) 3.5	
Living Area (SF)	\$85.00	2,537	2,537	\$0 2,537		\$0 2,617		(\$6,800) 2,617	
Number of Stories		Two	Two	Two		Two		Two	
Heating/Cooling		Central/Forced	Similar	Similar		Similar		Similar	
Garage	\$15,000	2-Car	2-Car	2-Car		2-Car		2-Car	
Landscaping		Front	Similar	Similar		Similar		Similar	
Pool/Spa		None	Similar	Similar		Similar		Similar	
Patios/Decks		Patio	Similar	Similar		Similar		Similar	
Fencing		Rear	Similar	Similar		Similar		Similar	
Fireplace(s)	\$8,000	None	None	None		None		None	
Kitchen Equipment		Average	Similar	Similar		Similar		Similar	
Other		None	Similar	Similar		Similar		Similar	
Gross Adjustments			\$7,944	\$6,960		\$18,524		\$16,036	
Net Adjustments			(\$7,944)	(\$6,960)		(\$18,524)		(\$16,036)	
Adjusted Retail Value			\$602,046	\$564,337		\$621,294		\$547,702	
Concluded Retail Value		\$560,000							
Indicated Value Per SF		\$220.73							

Adjustments were necessary to account for differences between these homes and the subject's floor plan. The sales provide a range of indicators from \$547,702 to \$621,294 with an average of \$583,845. Similar to the prior analysis, Comparables 7 and 9 do not have reported incentives and are given less emphasis. We have concluded an estimate of \$560,000 for Residence 2537 at Pleasant Valley Ranch, which is less than the asking price of \$609,990.

Residence 2617									
Project Information		Comparable 7		Comparable 8		Comparable 9		Comparable 10	
Project Name	Pleasant Valley Ranch	Pleasant Valley Ranch		Pleasant Valley Ranch		Pleasant Valley Ranch		Pleasant Valley Ranch	
Plan	Residence 2617	Residence 2537		Residence 2537		Residence 2617		Residence 2617	
Address/Lot Number		28366 Cats Claw Road		38441 Cats Claw Drive		28357 Cats Claw Drive		28373 Desert Trumpet Road	
City/Area	Winchester	Winchester		Winchester		Winchester		Winchester	
Price	N/Ap	\$628,285		\$650,365		\$677,715		\$672,770	
Price Per SF	N/Ap	\$247.65		\$256.35		\$258.97		\$257.08	
Special Taxes (13-year hold at 5.5%)	\$24,881	\$24,552		\$24,552		\$24,881		\$24,881	
Adjustment		-\$328		-\$328		\$0		\$0	
Adjusted Price (Including Bonds)		\$627,957		\$650,037		\$677,715		\$672,770	
Total Consideration per SF		\$247.52		\$256.22		\$258.97		\$257.08	
Data Source		Project sales agent		Project sales agent		Project sales agent		Project sales agent	
Incentives	N/Ap	No		\$0 Yes		(\$36,693) No		\$0 Yes	
Upgrades	Base	Yes		(\$18,295) Yes		(\$42,375) Yes		(\$38,225) Yes	
Effective Base Sales Price		\$609,662		\$570,969		\$639,490		\$563,410	
Adjustments:	Factor	Description	+/()	Description	+/()	Description	+/()	Description	+/()
Property Rights		Fee Simple	Similar	Similar		Similar		Similar	
Financing Terms		Cash Equivalent	Similar	Similar		Similar		Similar	
Conditions of Sale		Market	Market	Market		Market		Market	
Market Conditions									
Contract Date	MV 12/15/2023	12/10/2023		11/12/2023		11/17/2023		11/5/2023	
Project Location	Winchester	Winchester		Winchester		Winchester		Winchester	
Community Appeal	Average	Similar		Similar		Similar		Similar	
Lot Size	\$8.00 7,250	8,243	(\$7,944)	8,120	(\$6,960)	7,778	(\$4,224)	7,467	(\$1,736)
Lot Premium	N/Ap	Similar		Similar		Similar		Similar	
Design and Appeal	Average	Similar		Similar		Similar		Similar	
Quality of Construction	Good	Similar		Similar		Similar		Similar	
Age (Total/Effective)	New	Similar		Similar		Similar		Similar	
Condition	Good/New	Similar		Similar		Similar		Similar	
Functional Utility	Average	Similar		Similar		Similar		Similar	
Room Count									
Bedrooms	4	5		5		4		4	
Baths	\$15,000 3.5	3.0	\$7,500	3.0	\$7,500 3.5	\$0 3.5	\$0 3.5	\$0 3.5	\$0
Living Area (SF)	\$85.00 2,617	2,537	\$6,800	2,537	\$6,800 2,617	\$0 2,617	\$0 2,617	\$0 2,617	\$0
Number of Stories	Two	Two		Two		Two		Two	
Heating/Cooling	Central/Forced	Similar		Similar		Similar		Similar	
Garage	\$15,000 2-Car	2-Car		2-Car		2-Car		2-Car	
Landscaping	Front	Similar		Similar		Similar		Similar	
Pool/Spa	None	Similar		Similar		Similar		Similar	
Patios/Decks	Patio	Similar		Similar		Similar		Similar	
Fencing	Rear	Similar		Similar		Similar		Similar	
Fireplace(s)	\$8,000 None	None		None		None		None	
Kitchen Equipment	Average	Similar		Similar		Similar		Similar	
Other	None	Similar		Similar		Similar		Similar	
Gross Adjustments			\$22,244		\$21,260		\$4,224		\$1,736
Net Adjustments			\$6,356		\$7,340		(\$4,224)		(\$1,736)
Adjusted Retail Value			\$616,018		\$578,309		\$635,266		\$561,674
Concluded Retail Value	\$570,000								
Indicated Value Per SF	\$217.81								

Adjustments were necessary to account for differences between these homes and the subject's floor plan. The sales provide a range of indicators from \$561,674 to \$635,266 with an average of \$597,817. An estimate in line with Comparables 8 and 10 is considered to be reasonable. We have concluded an estimate of \$570,000 for Residence 2617 at Pleasant Valley Ranch, which is less than the \$656,725 list price that is not given any weight in the value opinion.

Conclusion of Home Values

Based on the analysis herein, the market value conclusions for the homes are summarized in the following table.

Floor Plan Value Conclusions							
Floor Plan	Living Area (SF)	Bedroom	Bathroom	Stories	Garage	Typical Lot Size (SF)	Concluded Base Retail Value
Residence 1898	1,898	4	3.0	One	3-Car	7,250	\$520,000
Residence 2239	2,239	4	3.0	Two	2-Car	7,250	\$535,000
Residence 2537	2,537	5	3.0	Two	2-Car	7,250	\$560,000
Residence 2617	2,617	4	3.5	Two	2-Car	7,250	\$570,000

Market Valuation – Homes Under Construction

In this section of the Appraisal Report, we will utilize the extraction technique to estimate the market value of the subject's 33 lots (parcels) that have homes currently under construction. The estimate of improved lot value assigns no value to the partially-completed vertical improvements and presumes the improved lots would sell on a bulk, or wholesale, basis. That is, a group of homes under construction would transfer in one transaction to a single buyer. However, consideration is given to the building permits and impact fees remitted to the county for the homes under construction.

Extraction Analysis

An extraction (residual) analysis takes into account home prices, direct and indirect construction costs, accrued depreciation and developer's incentive in order to arrive at an estimate of finished lot value. The elements of the extraction technique are discussed below.

Revenue

The subject's homes under construction have a typical lot size of 7,250 square feet. It is noted the average home size and price are based on an average for the community. The average home size is 2,300 square feet with an estimated base price of \$550,000.

Expense Projections

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

Developer Classification	Municipality	Budget Date	No. of Units	Quality	Avg. Home Size (SF)	Typical Lot Size	G & A % of Revenue	Mkt & Sales % of Revenue	Direct Costs/SF	Indirect Costs/SF	Indirect % of Direct Costs	Site Costs/Lot	Permits & Fees/Unit	Cost per Model	Profit % of Revenue	IRR	Projected Sales/Mo.
Local	Jurupa Valley	2023	53	Average	2,900	6,750	3.5%	3.0%	\$85.53	\$16.67	19.49%	\$125,482	\$64,861	N/Av	12.0%	25.0%	N/Av
National	San Diego County	2023	27	Good	2,246	N/Av	N/Av	N/Av	\$152.00	N/Av	N/Av	\$240,018	\$50,668	N/Av	N/Av	N/Av	N/Av
Regional	San Diego County	2023	83	Good	1,975	N/Av	N/Av	N/Av	\$135.00	N/Av	N/Av	\$240,018	\$47,937	N/Av	N/Av	N/Av	N/Av
National	Winchester	2023	202	Average	2,342	7,250	N/Av	N/Av	\$72.06	\$11.06	15.35%	\$76,242	\$73,000	N/Av	N/Av	N/Av	N/Av
National	Victorville	2023	276	Average	2,220	7,200	N/Av	N/Av	\$74.96	\$11.09	14.79%	\$83,185	\$32,800	\$80,339	N/Av	N/Av	N/Av
National	San Jacinto	2023	177	Average	2,112	7,200	N/Av	N/Av	\$77.91	\$9.73	12.49%	\$110,669	\$61,700	N/Av	N/Av	N/Av	N/Av
National	Hemet	2022	150	Average	2,092	5,500	N/Av	N/Av	\$92.11	N/Av	N/Av	\$72,875	\$51,700	N/Av	20.5%	N/Av	N/Av
National	Moreno Valley	2022	96	Average	2,346	7,350	N/Av	N/Av	\$79.46	N/Av	N/Av	\$124,544	\$68,647	\$164,265	N/Av	17.0%	N/Av
National	San Diego County	2022	187	Average	2,420	6,698	N/Av	N/Av	\$95.00	N/Av	N/Av	\$255,045	\$77,870	N/Av	N/Av	N/Av	N/Av
Regional	Riverside County	2021	128	Average	2,009	2,565	3.0%	3.5%	\$87.42	\$16.63	19.0%	N/Av	\$54,371	N/Av	14.0%	N/Av	N/Av
Regional	Lancaster	2021	99	Average	2,187	8,005	4.4%	5.7%	\$72.68	\$6.35	9%	\$89,461	\$35,931	\$54,000	9.6%	30.2%	3.96
Local	Desert Hot Springs	2020	27	Average	1,834	9,148	N/Av	N/Av	\$80.00	N/Av	16%	N/Av	\$24,627	N/Av	N/Av	N/Av	N/Av
National	Bakersfield	2020	70	Average	1,948	7,817	N/Av	N/Av	\$87.02	N/Av	12%	N/Av	\$38,080	N/Av	N/Av	N/Av	N/Av

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

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. The expense category within the market 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. After considering the market as well as the comparables previously presented, 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.

According to market participants, construction costs have fluctuated since the being of the pandemic, but have more recently moderated. Based on the cost comparables, and considering the product line under development, direct cost estimates of \$80 per square foot are applied to the home size.

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 25% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 20% is considered reasonable for the subject.

Permits and Fees

Based on the information provided by the developer, permits and fees for a subject lot is estimated at \$72,775 (\$73,000 rounded).

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 9.6% to 20.5%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable products 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 the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Improved lots with vertical construction underway
- Anticipated completion of off-site development (assumed for analysis only)
- Good transportation linkages
- Steady pricing (as recently adjusted) and steady absorption

There are generally few "negative" attributes associated with the subject property, other than the potential for deterioration in market conditions in the residential sector that would result from additional changes in macroeconomic factors (e.g., unemployment rates, interest rates, etc.). The prior table at the beginning of the Expense Projections discussion includes survey results for profit expectations of active home builders in the region.

Based on the preceding discussion and developer surveys, we have concluded estimate of 10% for developer's incentive.

Conclusion

Our estimates of finished lot value for the subject's lots via the extraction analysis are presented as follows.

Extraction**Revenue**

Average Floor Plan Size	2,300	SF	
Typical Home Price			\$550,000

Expense Projections

G & A Cost @	3.0%	of Retail Value	\$16,500
Marketing/Sales @	6.0%	of Retail Value	\$33,000
Average Direct Costs @	\$80.00	/SF	\$184,000
Indirect Cost @	20.0%	of Direct Cost	\$36,800
Permits and Fees Due at BP	\$73,000	/Lot	\$73,000
Developer's Incentive	10%	of Home Price	\$55,000
			<u>\$398,300</u>

Residual Lot Value: \$151,700

Rounded: \$152,000

As a check of reasonableness, we have arrayed a number of recent bulk lot transactions in the subject's market area, which is shown on the following page. Comparable 7 represents the prior sale of the community comprising the subject property.

Comparable 1 represents a sale of unimproved lots purchased by Pulte Homes, who is also developing an adjacent project. Given this sale is adjacent to a current development that is also being developed by Pulte Homes, it is assumed assemblage influenced the sale price. The sale was originally slated for 197 lots; however, the developer decided to only close on 90 lots. It is unclear when the sale was negotiated. Therefore, this sale is considered to be a higher indicator of value due to assemblage.

Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Sale Price; Bond Consideration/Lot	Typical Lot Size	Number of Lots	\$/Lot	Expenditures After Purchase
1	Stratford Place II Evans Rd. Perris Riverside County Comments: This is a sale of 90 unimproved lots with a tentative map in place and a typical lot size of 6,000 square feet. The lots were purchased for \$4,906,500 or \$54,517. According to the broker, the lots were purchased at a finished lot price of \$230,000 per lot. The buyer is developing the 270 lots adjacent to the north of this project. It is assumed there was a degree of assemblage influencing a part of the sale, but this was not confirmed. It is estimated this project will have a similar degree of bond debt as the adjacent project, which has an estimated \$2,983 per lot.	Nov-22 Closed	\$4,906,500 \$5,966	6,000	90	\$54,517	\$175,483
2	Windsong NWQ Alessandro Blvd. and Darwin Dr. Moreno Valley Riverside County Comments: This sale encompasses two adjacent parcels purchased by D.R. Horton from two different sellers. D.R. Horton closed on the first 18.01-acre parcel for \$3,755,000 on August 1, 2022 and closed on the second 17.63-acre parcel for \$3,745,000 on August 2, 2022. The site will be developed into a 177-lot subdivision called Windsong. Floor plans will range from 1,898 to 2,537 square feet and the typical lot size will be approximately 5,000 square feet. Finishing costs are estimated at approximately \$197,345 per lot. It is unclear if the project will utilize bond financing. However, given surrounding projects also utilize bond financing, it is estimate the property would have an estimated special tax of \$2,000 per lot.	Aug-22 Closed	\$7,500,000 \$4,000	5,000	177	\$42,373	\$197,345
3	Cole Wood Rd. & Lurin Ave. Riverside Riverside County Comments: This is a sale of 138 tentatively mapped lots with an average lot size of 5,788 square feet. The reported finished lot value is \$236,000 per lot. It is unclear if the project will utilize bond financing. However, given the surrounding projects also utilize bond financing, it is estimated the property would have an estimated special tax of \$2,000 per lot.	Jun-22 Closed	\$10,628,433 \$4,000	5,788	138	\$77,018	\$158,982
4	Barton Wood Rd. & Lurin Ave. Riverside Riverside County Comments: This is a sale of 81 tentatively mapped lots with an average lot size of 6,452 square feet. The reported finished lot value is \$232,000 per lot. It is unclear if the project will utilize bond financing. However, given the surrounding projects also utilize bond financing, it is estimated the property would have an estimated special tax of \$2,000 per lot.	May-22 Closed	\$5,985,544 \$4,000	6,452	81	\$73,896	\$158,104
5	La Ventana SEC Simpson Rd and La Ventana Rd Winchester Riverside County Comments: Site consists of 220 residential lots, along with a park site and a school site. The typical lot size is approximately 6,000 SF. The finished lot price was reportedly \$215,000/lot. It is unclear if the project will utilize bond financing. However, given surrounding projects also utilize bond financing, it is estimate the property would have an estimated special tax of \$2,000 per lot.	Apr-22 Closed	\$8,000,000 \$4,000	6,000	220	\$36,364	\$178,636
6	Morgan Crossing Warren Rd Hemet Riverside County Comments: This is a sale of 150 unimproved residential lots with a typical lot size of 6,000 square feet. The property was purchased with a finished lot value of \$175,000 per lot. The building permit is estimated at \$4,700 per lot. It is unclear if the project will utilize bond financing. However, given surrounding projects also utilize bond financing, it is estimated the property would have an estimated special tax of \$2,000 per lot.	Apr-22 Closed	\$5,163,636 \$4,000	6,000	150	\$34,424	\$145,276
7	Pleasant Valley Ranch Linden Flower Rd. Winchester Riverside County Comments: This is a sale of 202 paper lots with a typical lot size of 7,250 square feet for \$77,861 per lot. The lots included the sale of five partially completed models that were constructed prior to the Great Recession in 2007. The backstory to the project was not given; however, it appears one of the previous owners of the project tried to develop the property and later abandon it. The prior models on the property were demolished by DR Horton and the site development to improve the lots was estimated at \$15,400,862 or \$76,242 per lot. Permits and fees are estimated at \$73,000 per lot, while special taxes are estimated at \$2,688 per lot.	Aug-21 Closed	\$15,728,000 \$5,376	7,250	202	\$77,861	\$150,861
Subject Hemet USD CFD No. 2018-1, IA2 Winchester, CA				7,250	102		

The comparables reflect a range of sales prices of \$183,700 to \$243,718 per loaded lot considering the impacts of the respective bond encumbrances. The wide disparity in the unadjusted range is largely attributable to lot condition at time of sale (unimproved lots, partially-improved lots and improved lots), as well as differences in permits and fees. The extraction analysis previously performed included permits and fees, which is consistent with a finished lot value. If we were to add the value of permits and fees to our previously concluded finished lot estimate via the extraction analysis, we arrive at a

loaded lot estimate of \$225,000 per lot (rounded), which is within the range of the comparable sales and is considered to be reasonable.

Conclusion of Lot Value

The extraction technique indicated a value estimate of \$225,000 per loaded lot. This method is credible and supported by a survey of bulk lot sales in the market. This estimate will be utilized as our value conclusion in bulk (no further discounting is warranted). The improved lot value will be assigned to each home under construction within Hemet USD CFD No. 2018-1, IA2.

Market Value by Ownership

In this section, the previously concluded market values will be allocated to each ownership group comprising the appraised properties in order to provide a market value of the appraised properties by ownership and parcel. A summary of the ownership group holdings is provided in the following table.

Development/Construction Status				
Owner	Finished SFR Lots	Partially-Completed Homes	Completed Homes*	Total
DR Horton Los Angeles Holding Co Inc.	0	33	0	33
Individual Homeowners	--	--	23	23
TOTAL	0	33	23	56

*Completed homes without a complete assessment for structural improvements by County Assessor

Development/Construction Status by Floor Plan						
Floor Plan	No. of Finished Lots	No. of Lots Under Construction	No. of Completed Homes	No. of Homes Sold	Total	Assessed Homes
Residence 1898	0	7	0	6	13	9
Residence 2239	0	12	0	5	17	8
Residence 2435	0	0	0	0	0	9
Residence 2537	0	9	0	7	16	10
Residence 2617	0	5	0	5	10	10
TOTAL	0	33	0	23	56	46

To arrive at the market value by ownership, we apply the previously concluded finished lot value to the homes under construction because we do not consider any contributory value related to structural improvements.

The completed homes with assessed values and individual names identified on the Assessor's Roll have been assigned the Assessor's latest assessed value or if the assessed value is less than \$450,000, we assign our appraised value for valuation purposes. As a condition of this assignment, we present the Assessed values, when reported as structural assessments are in place at values deemed reflective of completed structural improvements.

There are remaining site development costs estimated at \$3,643,557. These costs will be allocated and deducted from the holdings of the developer, which has 33 remaining homes under construction. We take into account total remaining site development costs, as well as a profit factor of 5% of costs. The profit factor is applied to provide an incentive for a prospective buyer to oversee the remaining site development of the subject property. The 5% profit, based on the remaining costs, is estimated at \$182,178 (5% x \$3,643,557). Therefore, the total remaining site development costs inclusive of profit is estimated at \$3,825,735 or \$115,931 per lot (\$3,825,735 / 33 lots). We will deduct the remaining costs for the developer from the homes under construction. The remaining costs are not allocated to the completed homes. Further, there is \$231,342 or \$7,010 per lot (\$231,342 / 33 lots) in remaining permits and fees. This estimate will also be deducted from the developer's holdings. Therefore, we

will apply the loaded lot indicator of value to the homes under construction and deduct the remaining permits and fees.

Based on the previous analyses, the estimates of market value, by ownership, subject to the impact of the Lien of the Special Tax securing the Hemet USD CFD No. 2018-1, IA2 Bonds, as of the date of value, December 15, 2023, are presented in the following table. Also presented is the assessed value for the 46 completed homes that have assessed values reported by the County Assessor's office.

Value by Ownership						
	Lots/Homes /Parcels	Lot/Home Value	Permits and Fees	Remaining Site Development Costs	Value per Component	Market Value (Rd.)
DR Horton Los Angeles Holding Co Inc.						
Homes Under Construction	33	\$225,000	(\$7,010)	(\$115,931)	\$102,058	\$3,368,000
Total	33					\$3,368,000
Individual Homeowners						
Completed Homes						
Residence 1898	6	\$520,000	-	-	\$520,000	\$3,120,000 (Not-Less-Than)
Residence 2239	5	\$535,000	-	-	\$535,000	\$2,675,000 (Not-Less-Than)
Residence 2537	7	\$560,000	-	-	\$560,000	\$3,920,000 (Not-Less-Than)
Residence 2617	5	\$570,000	-	-	\$570,000	\$2,850,000 (Not-Less-Than)
Total	23					\$12,565,000
Aggregate, or Cumulative, Appraised Values	56					\$15,933,000
Aggregate, or Cumulative, Assessed Values	46					\$27,222,085

The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of the CFD are not marketed concurrently, which could suggest a market under duress.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

(None)

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the 2024 Special Tax Bonds will be available to fund improvements and/or benefits to the subject property and the benefits thereof have accrued to the subject property. The market value opinions account for the impact for the lien of Hemet USD CFD No. 2018-1, IA2, Special Taxes, securing the 2024 Special Tax Bonds.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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. The sale of the subject, in bulk, based on our review of recent sales transactions for similar properties and our analysis of supply and

demand in the local residential land market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 6-9 months. As it relates to the completed home component of the subject, current market conditions indicate that 30-to-60-day exposure period is reasonable.

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 at 6-9 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 performed no 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 the agreement to perform 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. Blake Fassler and Eric Segal, MAI, have not made a personal inspection of the property that is the subject of this report. Kevin Ziegenmeyer, MAI, has 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, Kevin Ziegenmeyer, MAI, and Eric Segal, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



Blake Fassler
Certified General Real Estate Appraiser
California Certificate # 3007274



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



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

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 – Sacramento, 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 – Sacramento is not a building or environmental inspector. Integra Sacramento 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 – Sacramento, 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. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

(None)

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. It is a hypothetical condition of this Appraisal Report that certain proceeds from the 2024 Special Tax Bonds will be available to fund improvements and/or benefits to the subject property and the benefits thereof have accrued to the subject property. The market value opinions account for the impact for the lien of Hemet USD CFD No. 2018-1, IA2, Special Taxes, securing the 2024 Special Tax Bonds.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Addendum A

Appraiser Qualifications

Blake Fassler

Experience

Mr. Fassler is a licensed appraiser with Integra Realty Resources, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. He began his appraisal career in March 2017 with Seevers Jordan Ziegenmeyer in Rocklin, California. Currently, Mr. Fassler is obtaining experience in the valuation and analysis of various types of real estate by working on a wide variety of property types including, but not limited to: multifamily, office, retail, industrial, vacant land, and residential subdivisions. He also specializes in the appraisal of residential master planned communities and subdivision, as well as Mello Roos and Assessment Districts for land secured municipal financings.

Licenses

California, California Certified General Real Estate Appraiser, 3007274, Expires February 2026

Education

Bachelor of Science in Management Science University of California, San Diego

Appraisal Courses Completed are as follows:

Basic Appraisal Principles

Basic Appraisal Procedures

General Appraiser Market Analysis & Highest and Best Use (USPAP), Uniform Standards of Professional Appraisal Practice

General Appraiser Report Writing and Case Studies

General Appraiser Site Valuation and Cost Approach

General Appraiser Sales Comparison Approach

General Appraiser Income Approach Part 1

General Appraiser Income Approach Part 2

4-Hour Federal and California Statutory and Regulator Laws

Integra Realty Resources -
Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

irr.com





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

Blake A. Fassler

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: 3007274

Effective Date: February 26, 2022

Date Expires: February 25, 2024

Loretta Dillon, Deputy Bureau Chief, BREA

3062909

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 state of California, and Northern Nevada. Mr. Ziegenmeyer handles many of the firm's master-planned property appraisals and over the past two decades has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In fact, Mr. Ziegenmeyer was one of five appraisers to collaborate with other professionals in developing the appraisal guidelines for the California Debt and Investment Advisory Commission (Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing - 2004). 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 and counties of San Francisco, Dublin, Monterey, Newport Beach, Alameda, Napa and San Mateo. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation.

Licenses

California, California Certified General Real Estate Appraiser, AG013567, Expires June 2025

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 (Yellowbook)

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Integra Realty Resources - Sacramento

590 Menlo Drive
Suite 1
Rocklin, 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)

Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments
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 - Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916.435.3883
F 916.435.4774

irr.com





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:

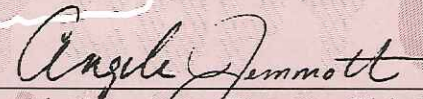
“Certified General Real Estate Appraiser”

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, 2023

Date Expires: June 4, 2025


Angela Jemmott, Bureau Chief, BREA

3070756

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 as well as Integra-Sacramento office.

Professional Activities & Affiliations

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

Licenses

California, Certified General Real Estate Appraiser, AG026558, Expires February 2025
Nevada, Certified General, A.0207666-CG, Expires January 2025
Arizona, Certified General, CGA - 1006422, Expires January 2026
Washington, Certified General, 20100611, Expires June 2025

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

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916.435.3883
F 916.435.4774

irr.com





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:

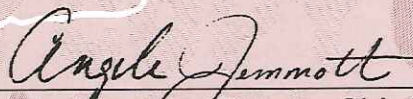
“Certified General Real Estate Appraiser”

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, 2023

Date Expires: February 18, 2025


Angela Jemmott, Bureau Chief, BREA

3069186

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*, 7th ed. (Chicago: Appraisal Institute, 2022), 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 opinion applies. (SVP)
2. The date to which an appraiser's analysis, opinions, and conclusions apply; also referred to as *date of value*. (USPAP, 2020-2021 ed.)
3. The date that a 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 Incentive

The amount an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. Entrepreneurial incentive is the expectation of future reward as opposed to the profit actually earned on the project.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a past project to compensate for his or her time, effort, knowledge, 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 innovation 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. An opinion, based on supporting market data, of the 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.

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 given individual investment or operational objectives (may also be known as worth). (IVS)

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 Estate

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 to sell a property interest at the concluded market value or at a benchmark price during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which precedes 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[h]; 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.

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.”

Addendum C

Preliminary Title Report

Fidelity National Title



BUILDER SERVICES

4400 MacArthur Blvd., Suite 200
Newport Beach, CA 92660
Phone: (949) 622-5000
Fax:

Issuing Policies of Fidelity National Title Insurance Company

Title Officer: Karen Cervantes (BS)
Escrow Officer: Builder Services OAC

Order No.: 996-**30073272**-A-KC1

TO:

Fidelity National Title
4210 Riverwalk, Ste. 100
Riverside, CA 92660

ATTN: **Charissa Jaworski**
YOUR REFERENCE:

PROPERTY ADDRESS: Tract 30989, Winchester, CA

AMENDED PRELIMINARY REPORT

*In response to the application for a policy of title insurance referenced herein, **Fidelity National Title Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Fidelity National Title Insurance Company, a Florida Corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Countersigned by:

Authorized Signature



AMENDED PRELIMINARY REPORT

EFFECTIVE DATE: July 26, 2023 at 7:30 a.m., Amended: July 31, 2023, Amendment No. A

ORDER NO.: 996-30073272-A-KC1

The form of policy or policies of title insurance contemplated by this report is:

ALTA Standard Owners Policy (6-17-06)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A FEE

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

D.R. HORTON LOS ANGELES HOLDING COMPANY, INC., a California Corporation

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

See Exhibit A attached hereto and made a part hereof.

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA OF WINCHESTER IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 1 THROUGH 5, 29, 56 THROUGH 92, 98 THROUGH 119, 137 THROUGH 141, 147 THROUGH 150, 152, 153, 175, 201 AND 202 OF TRACT NO. 30989, IN THE UNINCORPORATED AREA OF RIVERSIDE COUNTY, STATE OF CALIFORNIA, FILED IN BOOK 416, PAGES 75 THROUGH 81 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM THE FOLLOWING:

A. ANY AND ALL (I) OIL RIGHTS, (II) MINERAL RIGHTS, (III) NATURAL GAS RIGHTS, (IV) RIGHTS TO ALL OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, (V) GEOTHERMAL HEAT RIGHTS OR GEOTHERMAL SUBSTANCES THAT MAY BE PRODUCED FROM THE PROPERTY, (VI) WATER RIGHTS AND CLAIMS OR RIGHTS TO WATER AND (VII) ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING LOCATED IN OR UNDER THAT CERTAIN REAL PROPERTY SITUATED IN THE UNINCORPORATED AREA OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, DESCRIBED IN EXHIBIT "A" ATTACHED HERETO AND INCORPORATED HEREIN, TO THE EXTENT SUCH SUBSURFACE RESOURCES HAVE NOT BEEN PREVIOUSLY RESERVED; AND

B. THE PERPETUAL RIGHT TO DRILL, MINE, EXPLORE AND OPERATE FOR AND PRODUCE, STORE AND REMOVE ANY OF THE SUBSURFACE RESOURCES ON OR FROM THE PROPERTY, INCLUDING WITHOUT LIMITATION THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE, FROM LANDS OTHER THAN THE PROPERTY, WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS WITHIN OR BEYOND THE EXTERIOR LIMITS OF THE PROPERTY, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, BUT WITHOUT THE RIGHT TO DRILL, MINE, EXPLORE, OPERATE, PRODUCE, STORE OR REMOVE ANY OF THE SUBSURFACE RESOURCES THROUGH OR IN THE SURFACE OF THE PROPERTY OR THE UPPER FIVE HUNDRED (500) FEET OF THE SUBSURFACE OF THE PROPERTY.

SAID RIGHTS WERE GRANTED TO DRH ENERGY, INC., A COLORADO CORPORATION, IN THE MINERAL DEED RECORDED AUGUST 31, 2021, AS INSTRUMENT NO. 2021-0522272 OF OFFICIAL RECORDS.

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. TRA: 071-331
2. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Community Facilities District No. 2007-2, as disclosed by Proposed Boundary Map recorded June 13, 2018 as Instrument No. 2018-0240292 Official Records.
3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District (CFD) as follows:

CFD No: 2018-1
For: Improvement Area No. 1 of the Hemet Unified School District
Disclosed by: Notice of Special Tax Lien
Recording Date: July 19, 2018
Recording No.: 2018-0290785, Official Records

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the County of Riverside. The tax may not be prepaid.

Further information may be obtained by contacting:

Hemet Unified School District
1791 W. Acacia Avenue
Hemet, California 92545
Telephone: (951) 765-5100

Affects: Lots 1 through 11, 88 through 97 and 123 through 138 and 140 through 202

4. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District (CFD) as follows:

CFD No: 2018-1
For: Improvement Area No. 2 of the Hemet Unified School District
Disclosed by: Notice of Special Tax Lien
Recording Date: July 19, 2018
Recording No.: 2018-0290786, Official Records

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the, County of Riverside. The tax may not be prepaid.

Further information may be obtained by contacting:

Hemet Unified School District
1791 W. Acacia Avenue
Hemet, California 92545
Telephone: (951) 765-5100

Affects: Lots 12 through 87, 98 through 122 and 139

EXCEPTIONS
(Continued)

5. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District (CFD) as follows:

CFD No: Winchester Community Facilities District Zone 17
For: Valley-Wide Recreation and Park District (Pleasant Valley Ranch)
Disclosed by: Notice of Special Tax Lien
Recording Date: October 22, 2019
Recording No.: 2019-0423325, Official Records

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the County of Riverside. The tax may not be prepaid.

Further information may be obtained by contacting:

Valley-Wide Recreation and Park District
901 West Esplanade Avenue
San Jacinto, California 92581
Telephone number: (951) 654-1505

6. Water rights, claims or title to water, whether or not disclosed by the public records.
7. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Water pipes
Recording Date: May 2, 1918
Recording No: Book 481, Page 51, of Deeds

The exact location and extent of said easement is not disclosed of record.

8. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Road
Recording Date: December 11, 1974
Recording No: 157156 of Official Records
Affects: That portion of said land as described in the document attached hereto.

9. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Road
Recording Date: December 11, 1974
Recording No: 157157 of Official Records
Affects: That portion of said land as described in the document attached hereto.

10. Matters contained in that certain document

Entitled: Agreement
Recording Date: August 25, 2006
Recording No: 2006-0630305 Official Records

Reference is hereby made to said document for full particulars.

EXCEPTIONS
(Continued)

11. The fact that the ownership of said land does not include rights of access to or from the street, highway, or freeway abutting said land, such rights having been relinquished by the map of said Tract No. 30989 except the 16' access opening for Lot 204.

Affects: That portion of said land as shown on said map.

Said land, however, abuts upon a public thoroughfare other than the road referred to above, over which rights of vehicular ingress and egress have not been relinquished.

12. The following matters shown or disclosed by the filed or recorded map referred to in the legal description: Lot 204 indicated as Water Quality Basin".

13. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public utilities
Recording Date: March 21, 2007
Recording No: 2007-0193648 of Official Records
Affects: That portion of said land as described in the document attached hereto.

14. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public utilities
Recording Date: May 30, 2007
Recording No: 2007-0355206 of Official Records
Affects: That portion of said land as described in the document attached hereto.

15. A document subject to all the terms, provisions and conditions therein contained.

Entitled: School Facilities Funding and Mitigation Agreement Between Hemet School District and Griffin Communities
Recording Date: June 13, 2007
Recording No: 2007-0385592, of Official Records

Modification(s) of the terms and provisions of said document as therein provided.

Recording Date: September 26, 2007
Recording No: 2007-0603478, of Official Records

16. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public utilities
Recording Date: December 11, 2007
Recording No: 2007-0738380 of Official Records
Affects: That portion of said land as described in the document attached hereto.

**EXCEPTIONS
(Continued)**

17. Matters contained in that certain document

Entitled: School Facilities Funding and Mitigation Agreement Between Hemet Unified School District, Community Facilities District No. 2007-2 of the Hemet Unified School District, and Watermarke Homes, LLC
Recording Date: November 13, 2018
Recording No: 2018-0445810, Official Records

Reference is hereby made to said document for full particulars.

18. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern California Edison Company, a corporation
Purpose: Underground electrical supply systems and communication systems
Recording Date: January 16, 2019
Recording No: 2019-0017219, Official Records
Affects: As described therein

19. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern California Edison Company, a corporation
Purpose: Underground electrical supply systems and communication systems
Recording Date: February 27, 2019
Recording No: 2019-0066357 Official Records
Affects: As described therein

20. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Frontier California Inc., a corporation
Purpose: Underground conduits and other appurtenances, fixtures and/or facilities
Recording Date: July 19, 2019
Recording No: 2019-0269352, Official Records
Affects: As described therein

21. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Frontier California Inc., a corporation
Purpose: Underground conduits and other appurtenances, fixtures and/or facilities
Recording Date: July 11, 2019
Recording No: 2019-0253893, Official Records
Affects: As described therein

22. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Frontier California Inc., a corporation
Purpose: Underground conduits and other appurtenances, fixtures and/or facilities
Recording Date: July 19, 2019
Recording No: 2019-0269352, Official Records
Affects: As described therein

**EXCEPTIONS
(Continued)**

23. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern California Edison Company, a corporation
Purpose: Public utilities
Recording Date: December 4, 2019
Recording No: 2019-0499063 Official Records
Affects: Lots 12-55, 120-122

24. Matters contained in that certain document

Entitled: Notice of Lien
Recording Date: April 27, 2020
Recording No: 2020-180729 Official Records

25. INTENTIONALLY DELETED

26. Matters contained in that certain document

Entitled: Agreement for Permanent Residential Water Service with Single Feed to Domestic Water and Fire Sprinkler Systems
Dated: October 11, 2021
Executed by: Eastern Municipal Water District, a public agency and D.R. Horton Los Angeles Holding Company, Inc., a California corporation
Recording Date: October 19, 2021
Recording No: 2021-0615780 Official Records

Reference is hereby made to said document for full particulars.

27. Matters contained in that certain document

Entitled: Cooperative Agreement
Dated: December 14, 2021
Executed by: Riverside County Flood Control and Water Conservation District, a body politic, the County of Riverside, a political subdivision of the State of California and D.R. Horton Los Angeles Holding Company, Inc., a California corporation
Recording Date: January 28, 2002
Recording No: 2022-0047613 Official Records

Reference is hereby made to said document for full particulars.

28. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern California Edison Company, a corporation
Purpose: Public utilities
Recording Date: March 3, 2022
Recording No: 2022-0104962 Official Records
Affects: Lots 1 – 11, 124 – 129, 156 – 160, 167 – 183, 194 – 202

**EXCEPTIONS
(Continued)**

29. Declaration of Covenants, Conditions and Restrictions and Establishment of Easements of Pleasant Valley Ranch but omitting any covenants or restrictions, if any, including but not limited to those based upon age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, veteran or military status, genetic information, medical condition, citizenship, primary language, and immigration status, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: March 11, 2022
Recording No: 2022-0119881 Official Records

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of a first mortgage or first deed of trust made in good faith and for value.

30. Matters contained in that certain document

Entitled: Master Dispute Resolution Declaration for Pleasant Valley Ranch
Executed by: D.R. Horton Los Angeles Holding Company, Inc., a California corporation
Recording Date: March 11, 2022
Recording No: 2022-0119883 Official Records

Reference is hereby made to said document for full particulars.

31. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern California Edison Company, a corporation
Purpose: Public utilities
Recording Date: April 25,, 2022
Recording No: 2022-0193583 Official Records
Affects: all Streets, highways, public places, and Lots 88-97 and Lots 130 through 138, 140 through 155, 161 through 166, and 184 through 193

32. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern California Edison Company, a corporation
Purpose: Public utilities
Recording Date: June 7, 2022
Recording No: 2022-0259230 Official Records
Affects: all Streets, highways, public places, and Lots 56 through 81 and Lots 98 through 103

33. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Southern California Edison Company, a corporation
Purpose: Public utilities
Recording Date: June 7, 2022
Recording No: 2022-0259231 Official Records
Affects: all Streets, highways, public places, and Lots 82 through 87 and Lots 104 through 119 and 139

**EXCEPTIONS
(Continued)**

34. Matters contained in that certain document

Entitled: Temporary Access and Construction Easement Agreement
Dated: October 3, 2022
Executed by: Lansing Stone Star, LLC, a Delaware limited liability company and D.R. Horton
Los Angeles Holding Company, Inc., a California corporation
Recording Date: October 4, 2022
Recording No: 2022-0417315 Official Records

Reference is hereby made to said document for full particulars.

35. A claim of mechanic's lien or materialman's lien

Claimant: Robertson's
Amount: \$1,215.54
Recording Date: July 19, 2023
Recording No: 2023-0209271 Official Records

36. No known matters otherwise appropriate to be shown have been deleted from this report, which is not a policy of title insurance but a report to facilitate the issuance of a policy of title insurance.

For the purposes of policy issuance, items, if any, which may be eliminated on the basis of an indemnity agreement or other agreement satisfactory to the Company are as follows:

NONE

**PLEASE REFER TO THE "INFORMATIONAL NOTES" AND "REQUIREMENTS" SECTIONS WHICH
FOLLOW FOR INFORMATION NECESSARY TO COMPLETE THIS TRANSACTION.**

END OF EXCEPTIONS

REQUIREMENTS SECTION

NONE

END OF REQUIREMENTS

INFORMATIONAL NOTES SECTION

1. Note: The only conveyance(s) affecting said Land, which recorded within 24 months of the date of this report, are as follows:

Grantor:	Watermarke Homes, LLC, a California limited liability company
Grantee:	D.R. Horton Los Angeles Holding Company, Inc., a California Corporation
Recording Date:	August 31, 2021
Recording No:	2021-0522270, Official Records

END OF INFORMATIONAL NOTES

Karen Cervantes (BS)/en

Wire Fraud Alert

This Notice is not intended to provide legal or professional advice. If you have any questions, please consult with a lawyer.

All parties to a real estate transaction are targets for wire fraud and many have lost hundreds of thousands of dollars because they simply relied on the wire instructions received via email, without further verification. **If funds are to be wired in conjunction with this real estate transaction, we strongly recommend verbal verification of wire instructions through a known, trusted phone number prior to sending funds.**

In addition, the following non-exclusive self-protection strategies are recommended to minimize exposure to possible wire fraud.

- **NEVER RELY** on emails purporting to change wire instructions. Parties to a transaction rarely change wire instructions in the course of a transaction.
- **ALWAYS VERIFY** wire instructions, specifically the ABA routing number and account number, by calling the party who sent the instructions to you. DO NOT use the phone number provided in the email containing the instructions, use phone numbers you have called before or can otherwise verify. **Obtain the phone number of relevant parties to the transaction as soon as an escrow account is opened.** DO NOT send an email to verify as the email address may be incorrect or the email may be intercepted by the fraudster.
- **USE COMPLEX EMAIL PASSWORDS** that employ a combination of mixed case, numbers, and symbols. Make your passwords greater than eight (8) characters. Also, change your password often and do NOT reuse the same password for other online accounts.
- **USE MULTI-FACTOR AUTHENTICATION** for email accounts. Your email provider or IT staff may have specific instructions on how to implement this feature.

For more information on wire-fraud scams or to report an incident, please refer to the following links:

Federal Bureau of Investigation:
<http://www.fbi.gov>

Internet Crime Complaint Center:
<http://www.ic3.gov>



Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

Not all discounts are offered by every FNF Company. The discount will only be applicable to the FNF Company as indicated by the named discount.

FNF Underwritten Title Company

CTC – Chicago Title company
CLTC – Commonwealth Land Title Company
FNTC – Fidelity National Title Company of California
FNTCCA - Fidelity National Title Company of California
TICOR – Ticor Title Company of California
LTC – Lawyer's Title Company
SLTC – ServiceLink Title Company

Underwritten by FNF Underwriters

CTIC – Chicago Title Insurance Company
CLTIC - Commonwealth Land Title Insurance Company
FNTIC – Fidelity National Title Insurance Company
FNTIC - Fidelity National Title Insurance Company
CTIC – Chicago Title Insurance Company
CLTIC – Commonwealth Land Title Insurance Company
CTIC – Chicago Title Insurance Company

Available Discounts

DISASTER LOANS (CTIC, CLTIC, FNTIC)

The charge for a Lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within twenty-four (24) months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be fifty percent (50%) of the appropriate title insurance rate.

CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (CTIC, FNTIC)

On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be fifty percent (50%) to seventy percent (70%) of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be forty (40%) to fifty percent (50%) of the appropriate title insurance rate, depending on the type of coverage selected.

FIDELITY NATIONAL FINANCIAL, INC.

PRIVACY NOTICE

Effective August 1, 2021

Fidelity National Financial, Inc. and its majority-owned subsidiary companies (collectively, "FNF," "our," or "we") respect and are committed to protecting your privacy. This Privacy Notice explains how we collect, use, and protect personal information, when and to whom we disclose such information, and the choices you have about the use and disclosure of that information.

A limited number of FNF subsidiaries have their own privacy notices. If a subsidiary has its own privacy notice, the privacy notice will be available on the subsidiary's website and this Privacy Notice does not apply.

Collection of Personal Information

FNF may collect the following categories of Personal Information:

- contact information (e.g., name, address, phone number, email address);
- demographic information (e.g., date of birth, gender, marital status);
- identity information (e.g. Social Security Number, driver's license, passport, or other government ID number);
- financial account information (e.g. loan or bank account information); and
- other personal information necessary to provide products or services to you.

We may collect Personal Information about you from:

- information we receive from you or your agent;
- information about your transactions with FNF, our affiliates, or others; and
- information we receive from consumer reporting agencies and/or governmental entities, either directly from these entities or through others.

Collection of Browsing Information

FNF automatically collects the following types of Browsing Information when you access an FNF website, online service, or application (each an "FNF Website") from your Internet browser, computer, and/or device:

- Internet Protocol (IP) address and operating system;
- browser version, language, and type;
- domain name system requests; and
- browsing history on the FNF Website, such as date and time of your visit to the FNF Website and visits to the pages within the FNF Website.

Like most websites, our servers automatically log each visitor to the FNF Website and may collect the Browsing Information described above. We use Browsing Information for system administration, troubleshooting, fraud investigation, and to improve our websites. Browsing Information generally does not reveal anything personal about you, though if you have created a user account for an FNF Website and are logged into that account, the FNF Website may be able to link certain browsing activity to your user account.

Other Online Specifics

Cookies. When you visit an FNF Website, a "cookie" may be sent to your computer. A cookie is a small piece of data that is sent to your Internet browser from a web server and stored on your computer's hard drive. Information gathered using cookies helps us improve your user experience. For example, a cookie can help the website load properly or can customize the display page based on your browser type and user preferences. You can choose whether or not to accept cookies by changing your Internet browser settings. Be aware that doing so may impair or limit some functionality of the FNF Website.

Web Beacons. We use web beacons to determine when and how many times a page has been viewed. This information is used to improve our websites.

Do Not Track. Currently our FNF Websites do not respond to "Do Not Track" features enabled through your browser.

Links to Other Sites. FNF Websites may contain links to unaffiliated third-party websites. FNF is not responsible for the privacy practices or content of those websites. We recommend that you read the privacy policy of every website you visit.

Use of Personal Information

FNF uses Personal Information for three main purposes:

- To provide products and services to you or in connection with a transaction involving you.
- To improve our products and services.
- To communicate with you about our, our affiliates', and others' products and services, jointly or independently.

When Information Is Disclosed

We may disclose your Personal Information and Browsing Information in the following circumstances:

- to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure;
- to nonaffiliated service providers who provide or perform services or functions on our behalf and who agree to use the information only to provide such services or functions;

- to nonaffiliated third party service providers with whom we perform joint marketing, pursuant to an agreement with them to jointly market financial products or services to you;
- to law enforcement or authorities in connection with an investigation, or in response to a subpoena or court order; or
- in the good-faith belief that such disclosure is necessary to comply with legal process or applicable laws, or to protect the rights, property, or safety of FNF, its customers, or the public.

The law does not require your prior authorization and does not allow you to restrict the disclosures described above. Additionally, we may disclose your information to third parties for whom you have given us authorization or consent to make such disclosure. We do not otherwise share your Personal Information or Browsing Information with nonaffiliated third parties, except as required or permitted by law. We may share your Personal Information with affiliates (other companies owned by FNF) to directly market to you. Please see "Choices with Your Information" to learn how to restrict that sharing.

We reserve the right to transfer your Personal Information, Browsing Information, and any other information, in connection with the sale or other disposition of all or part of the FNF business and/or assets, or in the event of bankruptcy, reorganization, insolvency, receivership, or an assignment for the benefit of creditors. By submitting Personal Information and/or Browsing Information to FNF, you expressly agree and consent to the use and/or transfer of the foregoing information in connection with any of the above described proceedings.

Security of Your Information

We maintain physical, electronic, and procedural safeguards to protect your Personal Information.

Choices With Your Information

If you do not want FNF to share your information among our affiliates to directly market to you, you may send an "opt out" request as directed at the end of this Privacy Notice. We do not share your Personal Information with nonaffiliates for their use to direct market to you without your consent.

Whether you submit Personal Information or Browsing Information to FNF is entirely up to you. If you decide not to submit Personal Information or Browsing Information, FNF may not be able to provide certain services or products to you.

For California Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties, except as permitted by California law. For additional information about your California privacy rights, please visit the "California Privacy" link on our website (<https://fnf.com/pages/californiaprivacy.aspx>) or call (888) 413-1748.

For Nevada Residents: You may be placed on our internal Do Not Call List by calling (888) 714-2710 or by contacting us via the information set forth at the end of this Privacy Notice. Nevada law requires that we also provide you with the following contact information: Bureau of Consumer Protection, Office of the Nevada Attorney General, 555 E. Washington St., Suite 3900, Las Vegas, NV 89101; Phone number: (702) 486-3132; email: BCPINFO@ag.state.nv.us.

For Oregon Residents: We will not share your Personal Information or Browsing Information with nonaffiliated third parties for marketing purposes, except after you have been informed by us of such sharing and had an opportunity to indicate that you do not want a disclosure made for marketing purposes.

For Vermont Residents: We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures.

Information From Children

The FNF Websites are not intended or designed to attract persons under the age of eighteen (18). We do not collect Personal Information from any person that we know to be under the age of thirteen (13) without permission from a parent or guardian.

International Users

FNF's headquarters is located within the United States. If you reside outside the United States and choose to provide Personal Information or Browsing Information to us, please note that we may transfer that information outside of your country of residence. By providing FNF with your Personal Information and/or Browsing Information, you consent to our collection, transfer, and use of such information in accordance with this Privacy Notice.

FNF Website Services for Mortgage Loans

Certain FNF companies provide services to mortgage loan servicers, including hosting websites that collect customer information on behalf of mortgage loan servicers (the "Service Websites"). The Service Websites may contain links to both this Privacy Notice and the mortgage loan servicer or lender's privacy notice. The sections of this Privacy Notice titled When Information is Disclosed, Choices with Your Information, and Accessing and Correcting Information do not apply to the Service Websites. The mortgage loan servicer or lender's privacy notice governs use, disclosure, and access to your Personal Information. FNF does not share Personal Information collected through the Service Websites, except as required or authorized by contract with the mortgage loan servicer or lender, or as required by law or in the good-faith belief that such disclosure is necessary: to comply with a legal process or applicable law, to enforce this Privacy Notice, or to protect the rights, property, or safety of FNF or the public.

Your Consent To This Privacy Notice; Notice Changes

By submitting Personal Information and/or Browsing Information to FNF, you consent to the collection and use of the information in accordance with this Privacy Notice. We may change this Privacy Notice at any time. The Privacy Notice's effective date will show the last date changes were made. If you provide information to us following any change of the Privacy Notice, that signifies your assent to and acceptance of the changes to the Privacy Notice.

Accessing and Correcting Information; Contact Us

If you have questions, would like to correct your Personal Information, or want to opt-out of information sharing for affiliate marketing, visit FNF's [Opt Out Page](#) or contact us by phone at (888) 714-2710 or by mail to:

Fidelity National Financial, Inc.
601 Riverside Avenue,
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

ATTACHMENT ONE (Revised 05-06-16)

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY – 1990

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13)

ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. improvements on the Land;
 - e. land division; and
 - f. environmental protection.This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;

- c. that result in no loss to You; or
- d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
- 5. Failure to pay value for Your Title.
- 6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.
 This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
- 7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
- 8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
- 9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
- The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16:	1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 10,000.00
Covered Risk 18:	1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 19:	1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 21:	1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 5,000.00

2006 ALTA LOAN POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13 or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

{Except as provided in Schedule B - Part II, {t{or T}his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

{PART I

{The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.}

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:}

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

{The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown in the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and that are not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records. }
7. {Variable exceptions such as taxes, easements, CC&R's, etc. shown here.}

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY – ASSESSMENTS PRIORITY (04-02-15)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

JUN 05 2007

T.R.A. 071-331

462-19
462-02

This map/plot is being furnished as an aid in locating the herein described Land in relation to adjoining streets, natural boundaries and other land, and is not a survey of the land depicted. Except to the extent a policy of title insurance is expressly modified by endorsement, if any, the Company does not insure dimensions, distances, location of easements, acreage or other matters shown thereon.



• Riverside County, Calif.

ATCU

03

MB 416/75-81 TRACT MAP NO. 30389

Jan 2007

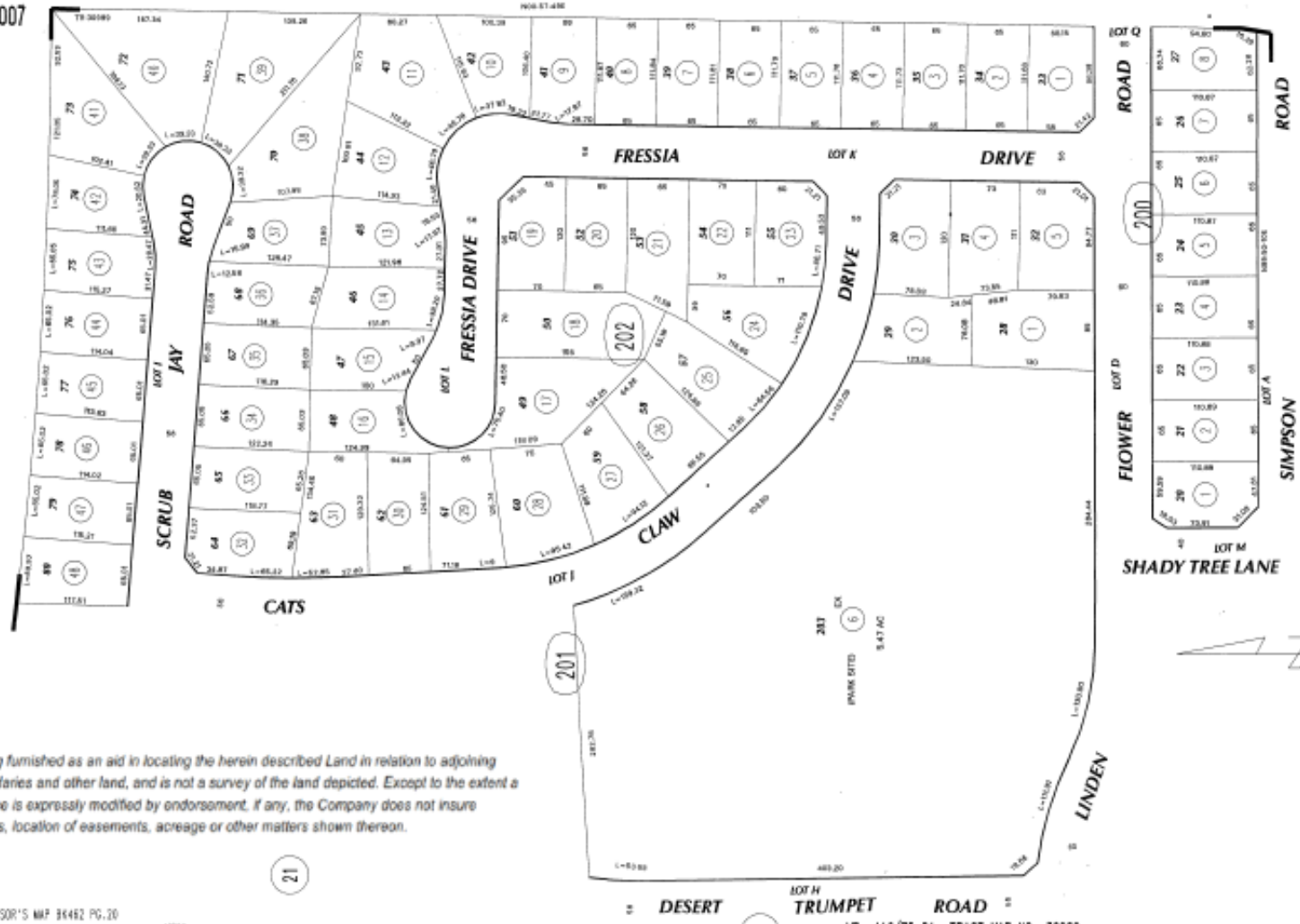
THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCEL MAY NOT COMPLY WITH LOCAL LOT-SPLIT OR BUILDING SITE ORDINANCES.

JUN 05 2007

POR. NW 29 T.5S., R.2W

T.R.A. 071-531

462-20
462-02



This map/plat is being furnished as an aid in locating the herein described Land in relation to adjoining streets, natural boundaries and other land, and is not a survey of the land depicted. Except to the extent a policy of title insurance is expressly modified by endorsement, if any, the Company does not insure dimensions, distances, location of easements, acreage or other matters shown thereon.

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSURED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCEL MAY NOT COMPLY WITH LOCAL LOT-SPLIT OR BUILDING SITE ORDINANCES.

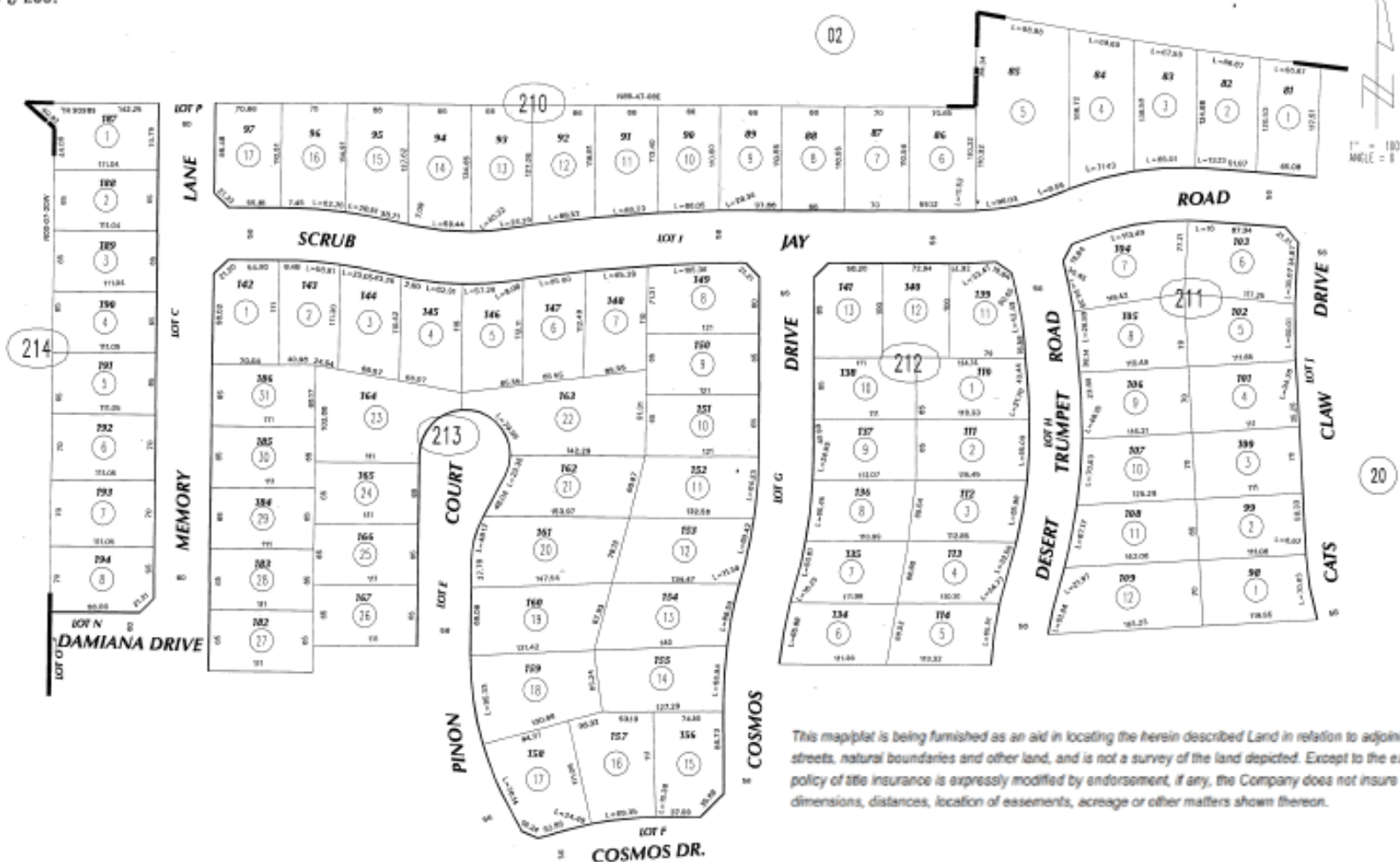
JUN 05 2007

POR. NW 29 T.5S., R.2W

T.R.A. 071-531

462-21

461-02



This maplet is being furnished as an aid in locating the herein described Land in relation to adjoining streets, natural boundaries and other land, and is not a survey of the land depicted. Except to the extent a policy of title insurance is expressly modified by endorsement, if any, the Company does not insure dimensions, distances, location of easements, acreage or other matters shown thereon.

Addendum D

Comparable Data

Location & Property Identification

Property Name:	Stratford Place II
Sub-Property Type:	Residential, Single Family Development Land
Address:	Evans Rd.
City/State/Zip:	Perris, CA 92571
County:	Riverside
Market Orientation:	Suburban
IRR Event ID:	3014316



Sale Information

Sale Price:	\$4,906,500
Effective Sale Price:	\$4,906,500
Sale Date:	11/01/2022
Sale Status:	Closed
\$/Acre(Gross):	\$208,079
\$/Land SF(Gross):	\$4.78
\$/Building SF:	\$817.75
\$/Unit (Potential):	\$54,517 /Unit
Grantor/Seller:	Stratford Ranch Investors LLC
Grantee/Buyer:	Pulte Home Company LLC
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Conditions of Sale:	Arm's-length
Document Type:	Deed
Recording No.:	2022.451354
Verified By:	Blake Fassler
Verification Date:	06/07/2023
Verification Type:	Confirmed-Other

Expenditures Description:	Site Improvements and permits and fees
Other Adjustment:	\$2,983
Adjustment Comments:	Bond Encumbrance

Improvement and Site Data

Legal/Tax/Parcel ID:	302-150-049
Acres(Gross):	23.58
Land-SF(Gross):	1,027,145
Potential Building SF:	6,000
No. of Units (Potential):	90
Zoning Code:	R-6,000
Source of Land Info.:	Public Records

Comments

This is a sale of 90 unimproved lots with a tentative map in place and a typical lot size of 6,000 square feet. The lots were purchased for \$4,906,500 or \$54,517. According to the broker, the lots were purchased at a finished lot price of \$230,000 per lot. The buyer is developing the 270 lots adjacent to the north of this project. It is assumed there was a degree of assemblage influencing a part of the sale, but this was not confirmed. It is estimated this project will have a similar degree of bond debt as the adjacent project, which has an estimated \$2,983 per lot.

Sale Analysis

Expenditures After Purchase:	\$175,483
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Location & Property Identification

Property Name:	Windsong
Sub-Property Type:	Residential, Single Family Development Land
Address:	NWQ Alessandro Blvd. and Darwin Dr.
City/State/Zip:	Moreno Valley, CA 92555
County:	Riverside
Market Orientation:	Suburban
IRR Event ID:	3022274



Sale Information

Sale Price:	\$7,500,000
Effective Sale Price:	\$7,500,000
Sale Date:	08/01/2022
Sale Status:	Closed
\$/Acre(Gross):	\$210,438
\$/Land SF(Gross):	\$4.83
\$/Acre(Usable):	\$210,438
\$/Land SF(Usable):	\$4.83
\$/Building SF:	\$1,500.00
\$/Unit (Potential):	\$42,373 /Approved Lot
Grantor/Seller:	Winco Holdings, Inc & Equitable Moreno Valley II Partnership
Grantee/Buyer:	D.R. Horton
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	2022.0341934 & 2022.0340965
Verification Type:	Secondary Verification
Secondary Verific. Source:	Deed, Tellus Land & Capital

Expenditures After Purchase: \$197,345

Expenditures Description:	Lot finishing costs
Other Adjustment:	\$2,000
Adjustment Comments:	Estimated bond encumbrance

Improvement and Site Data

Legal/Tax/Parcel ID:	487,470-025 (ptn), 487-470-028, 487-574-001 & 002
Acres(Usable/Gross):	35.64/35.64
Land-SF(Usable/Gross):	1,552,478/1,552,478
Usable/Gross Ratio:	1.00
Potential Building SF:	5,000
No. of Units (Potential):	177
Corner Lot:	Yes
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Source of Land Info.:	Public Records

Comments

This sale encompasses two adjacent parcels purchased by D.R. Horton from two different sellers. D.R. Horton closed on the first 18.01-acre parcel for \$3,755,000 on August 1, 2022 and closed on the second 17.63-acre parcel for \$3,745,000 on August 2, 2022. The site will be developed into a 177-lot subdivision called Windsong. Floor plans will

Comments (Cont'd)

range from 1,898 to 2,537 square feet and the typical lot size will be approximately 5,000 square feet. Finishing costs are estimated at approximately \$197,345 per lot. It is unclear if the project will utilize bond financing. However, given surrounding projects also utilize bond financing, it is estimate the property would have an estimated special tax of \$2,000 per lot.

Location & Property Identification

Property Name: Cole

Sub-Property Type: Residential, Single Family Development Land

Address: Wood Rd. & Lurin Ave.

City/State/Zip: Riverside, CA 92508

County: Riverside

Market Orientation: Suburban

IRR Event ID: 3003997



Sale Information

Sale Price: \$10,628,433

Effective Sale Price: \$10,628,433

Sale Date: 06/01/2022

Sale Status: Closed

\$/Acre(Gross): \$10,628,433

\$/Land SF(Gross): \$244.00

\$/Building SF: \$1,836.29

\$/Unit (Potential): \$77,018 /Approved Lot

Grantor/Seller: Lurin Land (Diversified Pacific)

Grantee/Buyer: KB Home

Assets Sold: Real estate only

Property Rights: Fee Simple

Financing: Cash to seller

Conditions of Sale: Arm's-length

Verification Type: Secondary Verification

Improvement and Site Data

Acres(Gross): 1.00

Land-SF(Gross): 43,560

Potential Building SF: 5,788

No. of Units (Potential): 138

Source of Land Info.: Other

Comments

This is a sale of 138 tentatively mapped lots with an average lot size of 5,788 square feet. The reported finished lot value is \$236,000 per lot. It is unclear if the project will utilize bond financing. However, given the surrounding projects also utilize bond financing, it is estimated the property would have an estimated special tax of \$2,000 per lot.

Sale Analysis

Expenditures After Purchase: \$158,982

Expenditures Description: Site Development and permits and fees

Other Adjustment: \$2,000

Adjustment Comments: Estimated bond encumbrance

Location & Property Identification

Property Name:	Barton
Sub-Property Type:	Residential, Single Family Development Land
Address:	Wood Rd. & Lurin Ave.
City/State/Zip:	Riverside, CA 92508
County:	Riverside
Market Orientation:	Suburban
IRR Event ID:	3004006



Sale Information

Sale Price:	\$5,985,544
Effective Sale Price:	\$5,985,544
Sale Date:	05/01/2022
Sale Status:	Closed
\$/Acre(Gross):	\$5,985,544
\$/Land SF(Gross):	\$137.41
\$/Building SF:	\$927.70
\$/Unit (Potential):	\$73,896 /Approved Lot
Grantor/Seller:	Lurin Land (Diversified Pacific)
Grantee/Buyer:	KB Home
Assets Sold:	Real estate only
Property Rights:	Fee Simple
Financing:	Cash to seller
Conditions of Sale:	Arm's-length
Verification Type:	Secondary Verification

Improvement and Site Data

Acres(Gross):	1.00
Land-SF(Gross):	43,560
Potential Building SF:	6,452
No. of Units (Potential):	81
Source of Land Info.:	Other

Comments

This is a sale of 81 tentatively mapped lots with an average lot size of 6,452 square feet. The reported finished lot value is \$232,000 per lot. It is unclear if the project will utilize bond financing. However, given the surrounding projects also utilize bond financing, it is estimated the property would have an estimated special tax of \$2,000 per lot.

Sale Analysis

Expenditures After Purchase:	\$158,104
Expenditures Description:	Site development costs and permits and fees
Other Adjustment:	\$2,000
Adjustment Comments:	Estimated bond encumbrance

Location & Property Identification

Property Name:	La Ventana
Sub-Property Type:	Residential, Single Family Development Land
Address:	SEC Simpson Rd and La Ventana Rd
City/State/Zip:	Winchester, CA 92584
County:	Riverside
Market Orientation:	Suburban
IRR Event ID:	3027571



Sale Information

Sale Price:	\$8,000,000
Effective Sale Price:	\$8,000,000
Sale Date:	04/15/2022
Recording Date:	04/15/2022
Listing Price:	\$8,000,000
Sale Status:	Closed
\$/Acre(Gross):	\$103,896
\$/Land SF(Gross):	\$2.39
\$/Building SF:	\$1,333.33
\$/Unit (Potential):	\$36,364 /Approved Lot
Grantor/Seller:	La Ventana 242, LLC
Grantee/Buyer:	Forestar / DR Horton
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Exposure Time:	39 (months)
Financing:	Cash to seller
Conditions of Sale:	Arm's-length
Document Type:	Deed
Recording No.:	0180333
Verification Type:	Secondary Verification
Secondary Verific. Source:	CoStar

Expenditures After Purchase: \$178,636

Expenditures Description:	Lot finishing costs
Other Adjustment:	\$2,000
Adjustment Comments:	Estimated bond encumbrance

Improvement and Site Data

MSA:	Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	APNs: 461-450-001 through -013, -451-001 through -048, -452-001 through -019, -460-001 through -020, -461-001 through -021, -470-001 through -027, -470-001 through -064, -472-001 through -010, -480-001 through -005, -481-001 through -003, -482-001
Acres(Gross):	77.00
Land-SF(Gross):	3,354,120
Potential Building SF:	6,000
No. of Units (Potential):	220
Zoning Code:	SP
Zoning Desc.:	Specific Plan

Sale Analysis

Improvement and Site Data (Cont'd)

Flood Plain:	No
Source of Land Info.:	Broker

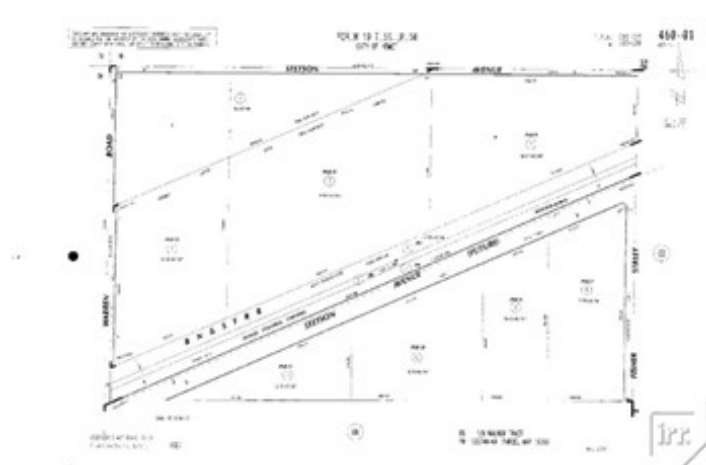
Comments

Site consists of 220 residential lots, along with a park site and a school site. The typical lot size is approximately 6,000 SF. The finished lot price was reportedly \$215,000/lot. It is unclear if the project will utilize bond financing. However, given surrounding projects also utilize bond financing, it is estimate the property would have an estimated special tax of \$2,000 per lot.



Location & Property Identification

Property Name:	Morgan Crossing
Sub-Property Type:	Residential, Single Family Development Land
Address:	Warren Rd
City/State/Zip:	Hemet, CA 92545
County:	Riverside
Market Orientation:	Suburban
IRR Event ID:	2995654



Sale Information

Sale Price:	\$5,163,636
Effective Sale Price:	\$5,163,636
Sale Date:	04/01/2022
Recording Date:	04/01/2022
Sale Status:	Closed
\$/Acre(Gross):	\$110,099
\$/Land SF(Gross):	\$2.53
\$/Land SF(Usable):	\$2.53
\$/Building SF:	\$860.61
\$/Unit (Potential):	\$34,424 /Unit
Grantor/Seller:	Rancho Diamante Investments LLC
Grantee/Buyer:	Pulte Home Company, LLC
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Conditions of Sale:	Arm's-length
Document Type:	Deed
Recording No.:	0157826
Verification Type:	Secondary Verification
Secondary Verific. Source:	CoStar

Expenditures Description: Site development costs and permits and fees

Other Adjustment: \$2,000
Adjustment Comments: Bond Encumbrance

Improvement and Site Data

MSA:	Inland Empire
Legal/Tax/Parcel ID:	460-010-008, 460-020-006
Acres(Gross):	46.90
Land-SF(Usable/Gross):	2,042,964/2,042,964
Potential Building SF:	6,000
No. of Units (Potential):	150
Zoning Desc.:	R3
Source of Land Info.:	Public Records

Comments

This is a sale of 150 unimproved residential lots with a typical lot size of 6,000 square feet. The property was purchased with a finished lot value of \$175,000 per lot. The building permit is estimated at \$4,700 per lot. It is unclear if the project will utilize bond financing. However, given surrounding projects also utilize bond financing, it is estimated the property would have an estimated special tax of \$2,000 per lot.

Sale Analysis

Expenditures After Purchase: \$145,276

Location & Property Identification

Property Name:	Pleasant Valley Ranch
Sub-Property Type:	Residential, Single Family Development Land
Address:	Linden Flower Rd.
City/State/Zip:	Winchester, CA 92596
County:	Riverside
Market Orientation:	Suburban
IRR Event ID:	3040256



Sale Information

Sale Price:	\$15,728,000
Effective Sale Price:	\$15,728,000
Sale Date:	08/31/2021
Sale Status:	Closed
\$/Acre(Gross):	\$786,400
\$/Land SF(Gross):	\$18.05
\$/Building SF:	\$2,169.38
\$/Unit (Potential):	\$77,861 /Unit
Grantor/Seller:	Watermarke Homes
Grantee/Buyer:	DR Horton Los Angeles Holding Inc
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Conditions of Sale:	Arm's-length
Document Type:	Deed
Verified By:	Blake Fassler
Verification Date:	08/22/2023
Verification Type:	Confirmed-Buyer

Sale Analysis

Expenditures After Purchase:	\$150,861
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Expenditures Description:	Site development costs and permits and fees
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Other Adjustment:	\$2,688
Adjustment Comments:	Bond Encumbrance

Improvement and Site Data

Acres(Gross):	20.00
Land-SF(Gross):	871,200
Potential Building SF:	7,250
No. of Units (Potential):	202
Zoning Code:	R-1
Zoning Desc.:	Residential
Source of Land Info.:	Public Records

Comments

This is a sale of 202 paper lots with a typical lot size of 7,250 square feet for \$77,861 per lot. The lots included the sale of five partially completed models that were constructed prior to the Great Recession in 2007. The backstory to the project was not given; however, it appears one of the previous owners of the project tried to develop the property and later abandon it. The prior models on the property were demolished by DR Horton and the site development to improve the lots was estimated at \$15,400,862 or \$76,242 per lot. Permits and fees are estimated at \$73,000 per lot, while special taxes are estimated at \$2,688 per lot.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following is a brief summary of certain provisions of the Fiscal Agent Agreement with respect to the Community Facilities District No. 2018-1 of the Hemet Unified School District Improvement Area No. 2 2024 Special Tax Bonds (the “Bonds”) not otherwise summarized in the text of this Official Statement under the headings “THE BONDS” and “SECURITY FOR THE BONDS.” This summary does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the Fiscal Agent Agreement in its entirety to which reference is made for the detailed provisions thereof.

DEFINITIONS

“Account” means any account created pursuant to the Fiscal Agent Agreement.

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

“Administrative Expense Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement for the purpose of paying Administrative Expenses of the Fiscal Agent, the Community Facilities District and the School District pursuant to the Fiscal Agent Agreement.

“Administrative Expense Requirement” means an initial amount of \$33,784.87 for Fiscal Year 2023-24, escalating at 2% per Fiscal Year for each successive Fiscal Year, or such other lesser amount as directed by the Community Facilities District as necessary for administration of the Community Facilities District.

“Administrative Expenses” means the ordinary and necessary fees and expenses for proceedings of the Community Facilities District, issuance of the Bonds, determination of the Special Tax and administering the levy and collection of the Special Tax and of servicing the Bonds, including any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the Community Facilities District and the School District in carrying out their duties under the Fiscal Agent Agreement (including, but not limited to, annual audits, special tax consultants and attorneys, and costs incurred in the levying and collection of the Special Taxes, the costs incurred in the foreclosure of parcels delinquent in the payment of Special Taxes and costs of compliance with disclosure obligations of the Community Facilities District) including the fees and expenses of its counsel, an allocable share of the salaries of staff to the School District directly related thereto and a proportionate amount of general administrative overhead related thereto and all other costs and expenses of the School District (acting as administrator of the Community Facilities District), the Dissemination Agent and the Fiscal Agent incurred in connection with the discharge of their respective duties under the Fiscal Agent Agreement and, in the case of the School District, in any way related to the administration of the Community Facilities District, including “Administrative Expenses” as defined in the Rate and Method of Apportionment for Improvement Area No. 2.

“Annual Debt Service” means for each Bond Year from the date of the Bonds to their maturity the annual debt service, including:

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

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

“Apportionment” means the apportionment of tax revenues, including Special Taxes and other amounts constituting Gross Taxes, by the Auditor-Controller of the County of Riverside.

“Authorized Denominations” means \$5,000 or any integral multiple thereof.

“Authorized Representative” means (i) the Superintendent, (ii) the Deputy Superintendent Business Services, (iii) the written designee of the Superintendent or the Deputy Superintendent Business Services, or (iv) any other officer or employee authorized by the Governing Board of the School District.

“Average Annual Debt Service” means the average over all Bond Years of the Annual Debt Service from the date of the Bonds to their maturity.

“Bond Counsel” means (a) James F. Anderson Law Firm, A Professional Corporation, or (b) any other attorney or firm of attorneys, selected by the Community Facilities District with expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities, of nationally recognized standing in matters pertaining to the tax treatment of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Fund” means the fund by that name created and established pursuant to 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 the twelve-month period beginning on the day after expiration of the preceding Bond Year. The first Bond Year shall begin on the Closing Date and end on September 1, 2024.

“Bondowner” or “Owner” means the person or persons in whose name or names ownership of any Bond is registered on the Registration Books.

“Bonds” means the aggregate principal amount of Community Facilities District No. 2018-1 of the Hemet Unified School District Improvement Area No. 2 2024 Special Tax Bonds authorized by and at any time Outstanding pursuant to the Act and the Fiscal Agent Agreement.

“Business Day” means a day which is not a Saturday or Sunday and which is a day that banks in New York, New York, Los Angeles, California, and the city in which the Trust Office of the Fiscal Agent is located, are not required or authorized to remain closed.

“Closing Date” means the date of delivery of the Bonds by the Community Facilities District and payment therefor by the original purchaser thereof.

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

“Community Facilities District” means Community Facilities District No. 2018-1 of the Hemet Unified School District, established pursuant to the Act.

“Completion of the Project” means certification by an Authorized Representative to the Fiscal Agent that all Project Costs have been paid or are not required to be paid from the Construction Fund.

“Construction Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement provided by the Community Facilities District, dated as of March 1, 2024, as originally executed and as may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means the costs and expenses incurred in connection with the Community Facilities District proceedings and the issuance and sale of the Bonds, including, but not limited to, the acceptance and initial annual fees and expenses of the Fiscal Agent, fees and expenses of the appraiser, legal fees and expenses, costs of reproducing the Bonds, costs of printing the preliminary and final Official Statement, fees of financial consultants, payments to the Developer for the formation deposit, and all other related fees and expenses.

“Costs of Issuance Account” means the account by that name in the Construction Fund created and established pursuant to the Fiscal Agent Agreement from which the Costs of Issuance will be paid.

“Dated Date” means the date of initial issuance and delivery of the Bonds.

“Debt Service” means the principal and interest payable on the Bonds in accordance with the maturity schedule set forth in the Fiscal Agent Agreement.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Fiscal Agent Agreement.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“Developer” means D.R. Horton Los Angeles Holding Company, Inc., a California corporation.

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

“DTC” means The Depository Trust Company, and its successors and assigns.

“EMWD” means Eastern Municipal Water District, and its successors and assigns.

“EMWD Facilities Account” means the account by that name in the Construction Fund established pursuant to the Fiscal Agent Agreement.

“Event of Default” means any of the events specified in the Fiscal Agent Agreement.

“Federal Securities” means any of the following:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) of the definition of the term “Permitted Investments” below);

(b) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series — “SLGS”);

(c) Direct obligations of the Department of the Treasury of the United States of America including obligations issued or held in book entry form and those which have been stripped by the U.S. Treasury itself, e.g., CATS, TIGRS and similar securities;

(d) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York and are in book-entry form; and

(e) Obligations issued by the following agencies which are backed by the full faith and credit of the United States:

(i) U.S. Export-Import Bank - direct obligations or fully guaranteed certificates of beneficial ownership

(ii) Rural Economic Community Development Administration (formerly the Farmers Home Administration) - certificates of beneficial ownership

(iii) Federal Financing Bank

(iv) General Services Administration - participation certificates

(v) U.S. Maritime Administration - guaranteed Title XI financing

(vi) U.S. Department of Housing and Urban Development (HUD)-Project Notes, Local Authority Bonds, New Communities Debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

“Fiscal Agent” means U.S. Bank Trust Company, National Association, a national banking association, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Fiscal Agent Agreement and any successor thereto.

“Fiscal Agent Agreement” means the Fiscal Agent Agreement, as amended or supplemented pursuant to the terms thereof.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the School District as its Fiscal Year in accordance with applicable law.

“Governing Board” means the Governing Board of the Hemet Unified School District, acting on behalf of the Community Facilities District.

“Gross Proceeds” shall have the meaning set forth in the Tax Certificate.

“Gross Taxes” means, with respect to the Bonds, (i) the amount of all collected Special Taxes for Improvement Area No. 2, (ii) proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes and (iii) proceeds from any security for payment of Special Taxes for Improvement Area No. 2 of the Community Facilities District taken in lieu of foreclosure; *provided, however*, that the Community Facilities District may waive payment of penalties and interest accruing in connection with delinquent Special Tax payments (but not delinquent Special Tax payments, unless authorized in accordance with Section 53356.6 of the Government Code of the State) and to the extent waived, such amounts shall not constitute Gross Taxes.

“Improvement Area No. 2” means Improvement Area No. 2 of the Community Facilities District.

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

- (1) independent and not under the domination of the Community Facilities District;
- (2) not having any substantial interest, direct or indirect, with the Community Facilities District; and
- (3) not connected with the Community Facilities District or the Developer as a member, officer, or employee of the Community Facilities District or the Developer, but who may be regularly retained to make annual or other reports to the Community Facilities District or the Developer.

“Information Services” means the information services, if any, specified in the Fiscal Agent Agreement or such other information services as specified in writing by the Community Facilities District to the Fiscal Agent.

“Interest Account” means the account by that name in the Bond Fund created and established pursuant to the Fiscal Agent Agreement.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2024.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest annual installment of principal (including Sinking Payments) and interest on the Bonds during the current or any future Bond Year.

“Maximum Special Tax” shall have the meaning given to such term in the Rate and Method of Apportionment of Special Tax for Improvement Area No. 2.

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

“Net Special Taxes” means, with respect to Improvement Area No. 2 of the Community Facilities District, the amount of all Gross Taxes minus the Administrative Expense Requirement.

“Nonpurpose Investment” has the meaning ascribed to such term in the Tax Certificate.

“Opinion of Bond Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds.

“Ordinance” means Ordinance No. CFD-13 adopted, signed, and approved on August 7, 2018, in connection with the formation of the Community Facilities District, by the legislative body of the Community Facilities District authorizing the levy of a Special Tax in Improvement Area No. 2.

“Outstanding Bonds” means all Bonds theretofore issued by the Community Facilities District with respect to Improvement Area No. 2, except:

(1) Bonds theretofore canceled or surrendered for cancellation in accordance with the Fiscal Agent Agreement;

(2) Bonds for payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Fiscal Agent Agreement; and

(3) Bonds defeased but without notice being given pursuant to the Fiscal Agent Agreement.

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

“Payment Request Form” means a payment request form substantially in the form of Exhibit B of the Fiscal Agent Agreement.

“Permitted Investments” means any of the following which at the time of investment are legal investments (any direction of the Community Facilities District to the Fiscal Agent constituting a certification to the Fiscal Agent that such investments are legal investments) under the laws of the State for the moneys proposed to be invested therein:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below);

(b) Federal Securities;

(c) Senior debt obligations rated “AAA” by S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(e) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and which matures not more than 270 days after the date of purchase;

(f) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P; and

(g) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local

governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice;

(1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P or any successors thereto; or

(2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Prepaid Special Taxes” means all Special Taxes prepaid with respect to Improvement Area No. 2 of the Community Facilities District pursuant to the Rate and Method of Apportionment during the term of the Fiscal Agent Agreement, less related Administrative Expenses.

“Prepayment Account” means the account by that name in the Special Tax Fund created and established pursuant to the Fiscal Agent Agreement in which are deposited all Special Taxes prepaid by a property owner in accordance with the Rate and Method of Apportionment.

“Principal Account” means the account by that name within the Bond Fund created and established pursuant to the Fiscal Agent Agreement.

“Project” means the planning, engineering, design, acquisition, construction, lease, improvement and/or financing of interim and permanent facilities, including classrooms, multi-purpose facilities, recreational facilities, administration, and auxiliary space at school facilities, central support, and transportation facilities as more particularly described in the Resolution of Formation, and the construction, acquisition, modification, expansion, maintenance and/or rehabilitation of sewer system facilities, including capacity in the sewer system of EMWD as more particularly described in the Resolution of Formation, including the costs associated with the creation of the Community Facilities District, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District; and any other expenses incidental to the construction, completion, and inspection of the authorized work.

“Project Costs” means the amounts necessary to finance or refinance the Project, to create and replenish any necessary reserve funds, to pay the annual costs associated with the Bonds, including, but not limited to, Fiscal Agent and other fees and to pay any “incidental expenses” of the Community Facilities District, as such term is defined in the Act, excluding Administrative Expenses.

“Rate and Method of Apportionment” means the Rate and Method of Apportionment for Improvement Area No. 2 of the Community Facilities District approved by the Governing Board and the qualified electors of the Community Facilities District on July 17, 2018, pursuant to which the Special Taxes in the Community Facilities District will be levied.

“Rebate Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth calendar day, whether or not such day is a Business Day, of the month preceding such Interest Payment Date.

“Redemption Account” means the account by that name within the Redemption Fund created and established pursuant to the Fiscal Agent Agreement.

“Redemption Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Reserve Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the least of (i) 10% of the proceeds the Bonds, (ii) Maximum Annual Debt Service on the Outstanding Bonds, or (iii) 125% of Average Annual Debt Service; provided, however, that the Reserve Requirement may not exceed the amount of such Reserve Requirement as determined on the date the Bonds are issued except if refunding bond are issued, and for purposes of clause (i), “proceeds” means the par amount of the Bonds, unless the Bonds are sold at a price that reflects more than two percent (2%) net original issue discount or premium, in which case “proceeds” shall mean the par amount of the Bonds plus or minus, as appropriate, such original issue discount or premium.

“Residual School Facilities Fund” means the fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Resolution of Formation” means Resolution No. 2558 adopted by the Governing Board on July 17, 2018, pursuant to which the School District established the Community Facilities District and Improvement Area No. 2.

“Resolution of Issuance” means Resolution No. 3042 adopted by the Governing Board on February 13, 2024, authorizing the issuance of the Bonds and approving the terms and provisions of the Fiscal Agent Agreement, and certain other financing documents.

“School District” means the Hemet Unified School District, Hemet, California.

“School Facilities Account” means the account by that name in the Construction Fund established pursuant to the Fiscal Agent Agreement.

“Serial Bonds” means with respect to each Series of Bonds, all of the Bonds of such Series with annual maturities, excluding Term Bonds of such Series.

“Series” when used with reference to the Bonds, shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Fiscal Agent Agreement or a Supplemental Fiscal Agent Agreement authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds and each Series of Bonds shall be secured solely by and payable solely from Special Taxes as more fully provided therein.

“Sinking Account” means the account in the Redemption Fund by that name created and established pursuant to the Fiscal Agent Agreement.

“Sinking Payment” means with respect to a Series of Bonds an annual payment to be applied to redeem a portion of the Term Bonds of such Series in accordance with the schedule set forth in the Fiscal Agent Agreement or Supplemental Fiscal Agent Agreement, as applicable.

“Special Tax” or “Special Taxes” means the special taxes authorized to be levied by the Community Facilities District in Improvement Area No. 2 in accordance with the Ordinance, the Resolution of Formation, the Act and the approval of the qualified electors therein, or otherwise permitted to be levied subsequent thereto after approval by the qualified electors of Improvement Area No. 2 in accordance with the Act, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

“Special Tax Consultant” means Special District Financing & Administration or any successor Special Tax Consultant designed by the Community Facilities District.

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

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Group, its successors, or assigns.

“Superintendent” means the Superintendent of the School District, or his or her designee.

“Supplement” or “Supplemental Fiscal Agent Agreement” means any supplemental fiscal agent agreement hereafter duly authorized and entered into between the Community Facilities District and the Fiscal Agent, supplementing, modifying, or amending the Fiscal Agent Agreement; but only if and to the extent that such Supplemental Fiscal Agent Agreement is specifically authorized thereunder.

“Tax Certificate” means the certificate delivered upon the issuance of the Bonds relating to Sections 103 to 150 of the Code, or any functionally similar replacement certificate as may be delivered by the Community Facilities District from time to time.

“Tax-Exempt” means, with reference to a Permitted Investment, Permitted Investments that are (i) tax-exempt obligations that are not specified private activity bonds under Section 57 of the Code, (ii) interests in a regulated investment company to the extent that at least 95% of the income to the holder of the interest is interest that is excludable from gross income under Section 103 of the Code, or (iii) certificates of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program.

“Taxable Property” means all property in Improvement Area No. 2 of the Community Facilities District that may be subject to levy of the Special Tax pursuant to the Rate and Method of Apportionment.

“Term Bonds” means the Bonds of a specified maturity with Sinking Payments as designated in the Fiscal Agent Agreement or in a Supplemental Fiscal Agent Agreement.

“Trust Office” means the corporate trust office of the Fiscal Agent, currently at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, except for exchange, surrender and payment of the Bonds, in which case “Trust Office” shall refer to the corporate trust office of U.S. Bank Trust Company, National

Association, or in each case such other or additional offices as may be specified to the School District by the Fiscal Agent in writing.

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

“Yield” has the meaning given to such term in the Code, which as of the Closing Date is specified in the Tax Certificate.

THE BONDS

Place and Form of Payment. The Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and any premiums due upon the redemption thereof shall be payable by check upon presentation and surrender thereof at the Trust Office of the Fiscal Agent. Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest shall be payable from the date of the Bonds; *provided, however*, that if at the time of authentication of a Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or if no interest has been paid on such Bond the interest shall be payable from the date of issuance of the Bonds. Interest on any Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest shall be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register as of the close of business on the preceding Record Date, except the Owner of at least \$1,000,000 in aggregate principal amount of Bonds may be paid by wire transfer in immediately available funds to an account of a bank or financial institution in the United States designated by such Owner if the Owner makes a written request of the Fiscal Agent on or prior to the applicable Record Date.

Execution and Authentication. The Bonds shall be signed on behalf of the Community Facilities District by the manual or facsimile signature of the President of the Governing Board in his or her capacity as an officer of the Community Facilities District, and attested by the manual or facsimile signature of the Clerk or Secretary of the Governing Board. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed have been authenticated and delivered by the Fiscal Agent (including new Bonds delivered pursuant to the provisions of the Fiscal Agent Agreement with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds shall nevertheless be valid and may be authenticated and delivered as provided in the Fiscal Agent Agreement, and may be issued as if the person who signed such Bonds had not ceased to hold such office.

Only such Bonds as shall bear thereon such certificate of authentication in the form set forth in Exhibit A to the Fiscal Agent Agreement shall be entitled to any right or benefit under the Fiscal Agent Agreement, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Fiscal Agent.

Bond Register. The Fiscal Agent will keep or cause to be kept, at its Trust Office, sufficient records for the registration and transfer of ownership of the Bonds which shall be open to inspection during regular business hours and upon reasonable prior notice by the Community Facilities District, and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Fiscal Agent Agreement.

The Community Facilities District and the Fiscal Agent may treat and consider the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the Community Facilities District and the Fiscal Agent shall not be affected by any notice to the contrary. The Community Facilities District and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes, including for payment of principal of and interest on such Bond, for the purpose of giving notices of redemption, if applicable, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond. It shall be the duty of the Bondowner to give written notice to the Fiscal Agent of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Registration of Exchange or Transfer. The registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the Trust Office of the Fiscal Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Fiscal Agent duly executed by the Bondowner or his or her duly authorized attorney in the form set forth on the Bond or otherwise in a form approved by the Fiscal Agent. The Owner requesting such transfer shall be required to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Trust Office of the Fiscal Agent for a like aggregate principal amount of Bonds of other Authorized Denominations of the same maturity. The Fiscal Agent will not charge the Owner a fee for any new Bond issued upon any exchange but shall require the Bondowner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the Community Facilities District shall execute and the Fiscal Agent shall authenticate and deliver in the name of the transferee or in the name of the existing Owner in the case of an exchange, a new Bond or Bonds of Authorized Denominations, of the same maturity, for a like aggregate principal amount; provided, that the Fiscal Agent shall not be required to register transfers or make exchanges of Bonds (i) between a Record Date and the immediately succeeding Interest Payment Date, (ii) within the 15 days prior to the date designated by the Fiscal Agent as the date for selecting Bonds for redemption or (iii) selected for redemption.

Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond shall become mutilated, the Community Facilities District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor, date, maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled and delivered to the Community Facilities District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and, if prior to the authentication and delivery of such new Bond indemnity satisfactory to the Community Facilities District and the Fiscal Agent shall be given, the Community Facilities District, at the expense of the Bondowner, shall execute and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and maturity, numbered and dated as such

Fiscal Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued in lieu of any Bond alleged to be lost, destroyed, or stolen, shall be equally and proportionately entitled to the benefits of the Fiscal Agent Agreement with all other Bonds issued under the Fiscal Agent Agreement. The Fiscal Agent shall not treat both the original Bond and any replacement Bond as being Outstanding Bonds for the purpose of determining the principal amount of Bonds which may be executed, authenticated, and delivered under the Fiscal Agent Agreement or for the purpose of determining any percentage of Bonds Outstanding thereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of the Fiscal Agent Agreement, in lieu of delivering a new Bond in place of a Bond which has been mutilated, lost, destroyed, or stolen, and which has matured, the Fiscal Agent may make payment with respect to such Bond upon receipt of the above-mentioned indemnity. The Community Facilities District and the Fiscal Agent may charge the Owners of the Bonds for their reasonable fees and expenses in connection with replacing lost, stolen, or destroyed Bonds.

Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Community Facilities District for the financing of the Project, or by any contracts made by the Community Facilities District in connection therewith, and shall not be dependent upon the completion of the financing of the Project or upon the performance by any person of his obligation with respect to the Project, and the recital contained in the Bonds that the same are issued pursuant to the Act shall be conclusive evidence of their validity and of the regularity of their issuance.

Additional Bonds. The School District, on behalf of the Community Facilities District, covenants not to issue any additional bonds secured by the Special Taxes after the issuance and delivery of the Bonds, except (i) for refunding bonds pursuant to the Act and (ii) in connection with the issuance of such refunding bonds to finance authorized facilities provided that the annual debt service on the aggregate amount of the Additional Bonds for refunding purposes and to finance authorized facilities being issued is not greater than the debt service on the Bonds being refunded.

CREATION OF FUNDS; APPLICATION OF PROCEEDS AND NET SPECIAL TAXES

Special Tax Fund. No later than the last Business Day of the month in which the County Auditor of the County of Riverside makes an apportionment of tax revenues, including Special Taxes and other amounts constituting Gross Taxes, if any, and such apportionment is transferred to the Fiscal Agent on behalf of the Community Facilities District (any such apportionment being hereinafter referred to as an “**Apportionment**”) (exclusive of Prepaid Special Taxes received which shall be deposited into the Prepayment Account of the Special Tax Fund), the Fiscal Agent shall deposit such Apportionment and any other amounts constituting Net Special Taxes in the Special Tax Fund, to be held and transferred on the dates and in the amounts set forth in the following paragraphs, in the following order of priority, to:

(1) the Administrative Expense Fund, the amount of \$33,784.87 for Fiscal Year 2023-24 (which shall increase 2% per Fiscal Year for each successive Fiscal Year) or such lesser amount as shall be directed by the Community Facilities District;

(2) 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 such Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due;

(3) 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;

(4) the Sinking Account of the Redemption Fund an amount up to the amount needed to make the Sinking Payments due on the Bonds during the current Bond Year;

(5) the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement;

(6) provided all the amounts due in the current Bond Year are funded under (1), (2), (3), (4), and (5) above, to the extent the Administrative Expense Requirement deposited under (1) above is not sufficient to pay the Administrative Expenses until collection of Special Taxes in the next Fiscal Year, to Administrative Expense Fund in the amount required to bring the balance therein to an amount sufficient to pay such expenses;

(7) the Rebate Fund, the amount, if any, necessary to fund the Rebate Requirement pursuant to the Fiscal Agent Agreement; and

(8) any remaining Special Taxes and other amounts constituting Gross Taxes 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 of and interest on the Bonds (including payment of Sinking Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (5), above, or to pay current or pending Administrative Expenses as provided for in (1) and (6), above, shall upon receipt of written direction from an Authorized Representative be deposited in the Residual School Facilities Fund and used in accordance with the Fiscal Agent Agreement and shall be free and clear of any lien thereon or pledge under the Fiscal Agent Agreement; *provided*, any funds which are required to cure any delinquency described above shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

There shall also be deposited into the Special Tax Fund such available moneys as the Community Facilities District shall determine, to be applied in accordance with the Fiscal Agent Agreement, including moneys to be deposited into the Redemption Fund to be applied to the payment or redemption of Bonds pursuant to the Fiscal Agent Agreement. Upon provision for payment or redemption of all Outstanding Bonds and after payment of any amounts due to the Fiscal Agent, all moneys remaining in the Special Tax Fund shall be paid to the School District and for any permissible purposes.

Funds in the Special Tax Fund shall be invested in accordance with the Fiscal Agent Agreement. Investment earnings on amounts in the Special Tax Fund, if any, shall be retained therein.

Prepayment Account of the Special Tax Fund. Prepaid Special Taxes collected by 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 the Prepayment Account for the benefit of the Bonds and shall be transferred by the Fiscal Agent to the Redemption Account of the Redemption Fund to redeem 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 and shall be applied to redeem Bonds in accordance with the Fiscal Agent Agreement. Moneys representing the Prepaid Special Taxes shall be invested in accordance with 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 Redemption Account of the Redemption Fund.

Administrative Expense Fund. The Fiscal Agent shall deposit into the Administrative Expense Fund from each Apportionment an amount which shall be specified in writing by the Authorized Representative to the Fiscal Agent equal to the Administrative Expenses coming due on or before the next succeeding Interest Payment Date; provided however, that the Fiscal Agent shall not deposit an amount in excess of the Administrative Expense Requirement unless the amounts required for payment of principal of and interest on the Bonds from such Apportionment have been made, the Reserve Fund is funded at or above the Reserve Requirement and amounts necessary to satisfy the Rebate Requirement are deposited in the Rebate Fund. The Fiscal Agent shall apply the moneys on deposit in the Administrative Expense Fund to the payment of Administrative Expenses, as directed in writing by the Authorized Representative. Amounts to pay Administrative Expenses shall be paid from the Administrative Expense Fund upon receipt by the Fiscal Agent of a written requisition in substantially the form of Exhibit B of the Fiscal Agent Agreement from the Authorized Representative, stating the payee and the amount owing.

Investment earnings on amounts in the Administrative Expense Fund, if any, shall be retained therein.

Bond Fund. The principal of and interest on the Bonds until maturity, except principal coming due upon the redemption of Bonds, shall be paid by the Fiscal Agent from the Bond Fund. At the maturity of the Bonds and, after all principal and interest then due on the Bonds then Outstanding has been paid or provided for, moneys in the Bond Fund shall be transferred to the Special Tax Fund.

(a) One Business Day 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. Notwithstanding the foregoing, amounts in the Bond Fund resulting from transfers from the Construction Fund pursuant to the Fiscal Agent Agreement shall be used to pay the principal of and interest on such 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; and

(b) Moneys 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.

Redemption Fund.

(a) After making the deposits to the Bond Fund and to the Sinking Account of the Redemption Fund for Sinking Payments then due pursuant to the Fiscal Agent Agreement and in accordance with the Community Facilities District's election to call Bonds for optional redemption as set forth in the Fiscal Agent Agreement, the Fiscal Agent shall transfer from the Special Tax Fund and deposit in the Redemption Account of the Redemption Fund moneys available for the purpose and sufficient to redeem, at the premiums payable as provided in the Fiscal Agent Agreement, any Bonds called for optional redemption.

(b) Prepaid Special Taxes collected by 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 in writing to deposit the Prepaid Special Taxes in the Prepayment Account of the Special Tax Fund. The Prepaid Special Taxes shall be held in the Prepayment Account for the benefit of the Bonds and shall be transferred by the Fiscal Agent to the 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 extraordinary mandatory redemption provisions as set forth in the Fiscal Agent Agreement. No later than the Business Day prior to redemption of Bonds from Prepaid Special Taxes, the greatest portion of the Prepaid Special Taxes in the Prepayment Account as may be used to redeem Bonds shall be transferred to the Redemption Account and applied to call Bonds on a pro rata basis among maturities of the Bonds specified by the Community Facilities District to the Fiscal Agent and the Community Facilities District shall provide a revised Sinking Payment schedule for the Outstanding Term Bonds. Moneys representing the Prepaid Special Taxes shall be invested in accordance with 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 Redemption Fund.

(c) Except as described in the following paragraph relating to the purchase of Bonds, moneys set aside in the Redemption Fund shall be used solely for the purpose of redeeming Bonds and shall be applied on or after the redemption date to the payment of principal and premium, if any of and interest on the Bonds to be redeemed upon presentation and surrender of such Bonds.

In lieu of or partially in lieu of such call and redemption, moneys deposited in the Redemption Fund as set forth above may be used to purchase Outstanding Bonds in the manner provided in the Fiscal Agent Agreement.

If, after all of the Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in the Redemption Fund or any account created therein, said moneys shall be transferred to the Special Tax Fund; provided, that if said moneys are part of the proceeds of refunding bonds said moneys shall be transferred to the fund or account created for the payment of principal of and interest on such refunding bonds. Moneys held in any account of the Redemption Fund shall be invested in accordance with the Fiscal Agent Agreement. Investment earnings on amounts in the Redemption Fund, if any, shall be retained therein.

Reserve Fund. There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding anything provided in the Fiscal Agent Agreement, in the event of a redemption or partial defeasance of the Bonds, the Reserve Requirement shall thereafter be determined by the Community Facilities District and communicated to the Fiscal Agent in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as set forth in the Fiscal Agent Agreement.

(a) Except as provided in the Fiscal Agent Agreement 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 Sinking Payments, and interest 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 Account are insufficient therefor; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the Community Facilities 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 such 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 Account of the Redemption Fund, are insufficient to pay the principal of, including Sinking Payments, or interest on the Bonds when due, the Fiscal Agent shall, one Business Day prior to an Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking 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 Account of the Redemption Fund, the Fiscal Agent shall notify the Community Facilities District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the Community Facilities District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

Moneys in the Reserve Fund used to offset the amount required to be collected through the Special Tax levy in the last year or years of collection shall be transferred to the Bond Fund or the Redemption Fund on or prior to the last day of August preceding the final maturity date; at the option of an Authorized Representative, such moneys may be used (i) to pay principal of and interest on the Bonds when due, (ii) for optional redemption of Bonds pursuant to the Fiscal Agent Agreement on the earliest date on which all Bonds Outstanding may be redeemed or (iii) for the purchase of Bonds pursuant the Fiscal Agent Agreement, but only if, concurrently with any such redemption or purchase, all of the Bonds Outstanding are to be redeemed, refunded or purchased. In no event shall amounts in the Reserve Fund be used to pay fees or expenses of the Fiscal Agent or its counsel.

Moneys in the Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. Notwithstanding any provision therein to the contrary, moneys in the Reserve Fund in excess of the Reserve Requirement (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement shall be withdrawn on each March 1 and applied as follows: (i) until such time as the Construction Fund is closed in accordance with the provisions of the Fiscal Agent Agreement, all investment earnings on amounts in the Reserve Fund (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement identified in writing by the Community Facilities District and moneys needed to restore the Reserve Fund to the Reserve Requirement) shall be deposited to the School Facilities Account of the Construction Fund; (ii) after the expiration of the transfers under (i) all investment earnings on amounts in the Reserve Fund since the previous Interest Payment Date (exclusive of amounts required to be transferred to the Rebate Fund pursuant to the Fiscal Agent Agreement identified in writing by the Community Facilities District and moneys needed to restore the Reserve Fund to the Reserve Requirement) shall be transferred to the Interest Account of the Bond Fund and (iii) any remaining excess shall be transferred to the Principal Account of the Bond Fund or to the Sinking Account of the Redemption Fund to the extent required to make any principal payments or Sinking Payments on the next following Interest Payment Date. The Fiscal Agent shall transfer moneys in the Reserve Fund in excess of the Reserve Requirement from Reserve Fund earnings upon written direction of the Community Facilities District pursuant to the Fiscal Agent Agreement.

(b) 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 Account of the Redemption Fund for the next Interest Payment Date.

(c) The Reserve Requirement, or any portion thereof, may be satisfied by crediting to the Reserve Fund moneys, a letter of credit, a surety policy, or any other comparable credit facility or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve

Requirement; however, the long-term unsecured debt or claims-paying ability, as the case may be, of the provider of any such letter of credit, surety policy or any other comparable credit facility, must have a rating of at least "A1" from Moody's and "A+" from S&P (provided that the Fiscal Agent shall be under no obligation and have no responsibility whatsoever to independently determine or verify such rating other than at the time of delivery). In the event of the use of such a surety, the Fiscal Agent shall be provided with copies of all documents in regard thereto and shall, to the extent not in conflict with the provisions of the Fiscal Agent Agreement, conform to the forms thereof for purposes of submitting draws and making reimbursements, thereon.

Construction Fund.

(a) The moneys deposited in the Construction Fund from the proceeds of the Bonds shall be applied exclusively to pay or reimburse (i) the costs of issuing the Bonds and (ii) the Project Costs. Amounts to pay the costs of issuing the Bonds shall be paid from the Costs of Issuance Account upon receipt by the Fiscal Agent of a written requisition in substantially the form of Exhibit B of the Fiscal Agent Agreement from the Authorized Representative, stating the payee and the amount owing. Amounts for Project Costs shall be disbursed by the Fiscal Agent from the School Facilities Account of the Construction Fund or the EMWD Facilities Account of the Construction Fund only upon receipt of a written certificate, substantially in the form attached as Exhibit B of the Fiscal Agent Agreement, from an Authorized Representative, or such other person as is designated in writing by the Legislative Body of the Community Facilities District, stating that (1) the conditions to the release of such funds have been satisfied, (2) the name of the person to whom payment is due, (3) the amount to be paid, (4) the purpose for which the obligation to be paid was incurred, and (5) there has not been filed with or served upon the Community Facilities District notice of any lien, right to lien or attachment upon, stop notice or claim affecting the right to receive payment of, any of the moneys payable to any of the persons named in such certificate or written requisition, which has not been released or will not be released simultaneously, with the payment, of such obligation, other than materialmen's or mechanic's liens accruing by mere operation of law.

(b) Six months after the Closing Date, or upon earlier receipt of a certificate from the Authorized Representative, the Fiscal Agent shall transfer moneys in the Costs of Issuance Account of the Construction Fund not encumbered for the payment of Costs of Issuance (as set forth in a certificate of an Authorized Representative) to the School Facilities Account of the Construction Fund as directed by the Authorized Representative and the Costs of Issuance Account shall be closed. Upon Completion of the Project, which shall be certified by the Community Facilities District to the Fiscal Agent, the Fiscal Agent shall transfer all moneys on deposit in the Construction Fund, except moneys in an amount designated by the Authorized Representative which are encumbered for the payment of Project Costs, (i) to the Residual School Facilities Fund and apply the amount to the acquisition and/or construction of school facilities pursuant to the Fiscal Agent Agreement or (ii) if in the Opinion of Bond Counsel the application of such moneys in a different manner in accordance with the written directions from the Authorized Representative will not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes; *provided, however*, that the Fiscal Agent shall immediately invest any funds so transferred to the Residual School Facilities Fund, at the direction of the Authorized Representative in Tax-Exempt Permitted Investments or shall restrict the yield on such amounts such that the yield on such amounts is not in excess of the Yield on the Bonds unless in the opinion of Bond Counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(c) Notwithstanding anything in the Fiscal Agent Agreement to the contrary, if on the date which is the day preceding the three year anniversary of the Closing Date, any funds remain on deposit in the Construction Fund, the Fiscal Agent shall immediately invest such amounts at the direction of the

Authorized Representative in Tax-Exempt Permitted Investments or shall restrict the Yield on such amounts such that the Yield on such amounts is not in excess of the Yield on the Bonds, unless in the opinion of Bond Counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

All investment earnings on amounts in the Costs of Issuance Account shall be retained therein. Amounts in the accounts of the Construction Fund are subject to additional investment limitations set forth in the Fiscal Agent Agreement.

Rebate Fund.

(a) The Fiscal Agent shall at such time as funds are to be deposited therein establish and maintain a fund separate from any other fund established and maintained under the Fiscal Agent Agreement designated as the Rebate Fund. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Fiscal Agent, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. Neither the Community Facilities District nor the Owner of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Fiscal Agent Agreement and by the Tax Certificate. The Fiscal Agent shall be deemed conclusively to have complied with such provisions if it follows the directions of the Community Facilities District including supplying all necessary information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Community Facilities District with the terms of the Tax Certificate. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the Community Facilities District's calculations.

(b) Upon the Community Facilities District's written direction, an amount equal to the Rebate Requirement shall be deposited to the Rebate Fund by the Fiscal Agent from balances in the following funds and accounts and in the following order of priority: (i) from the Special Tax Fund; (ii) from the School Facilities Account of the Construction Fund; and (iii) from the Reserve Fund (whether or not such withdrawal will cause the Reserve Fund to be below the Reserve Requirement), so that the balance of the Rebate Fund after such deposit shall equal the Rebate Requirement for the Bond Year (as such term is defined in the Tax Certificate and not as such term is defined in the Fiscal Agent Agreement) calculated with respect to the most recent Bond Year (as defined in the Tax Certificate). Computations of the Rebate Requirement shall be furnished by or on behalf of the Community Facilities District in accordance with the Tax Certificate.

(c) The Fiscal Agent shall have no obligation to rebate any amounts required to be rebated pursuant to the Fiscal Agent Agreement, other than from moneys held in the funds and accounts created under the Fiscal Agent Agreement or from other moneys provided to it by the Community Facilities District.

(d) The Fiscal Agent shall invest all amounts held in the Rebate Fund at the written direction of the Community Facilities District in Federal Securities, subject to the restrictions set forth in the Tax Certificate. The Fiscal Agent shall retain in the Rebate Fund all earnings (calculated by taking into account net gains or losses on sales or exchanges and taking into account amortized discount or premium as a gain or loss, respectively) on investments held in the Rebate Fund. Money shall not be transferred from the Rebate Fund except as provided in paragraph (e) below.

(e) Upon receipt of the Community Facilities District's written directions, the Fiscal Agent shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if on

the first day of any Bond Year the amount credited to the Rebate Fund exceeds the Rebate Requirement, if the Community Facilities District so directs, the Fiscal Agent will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Community Facilities District's written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement shall be withdrawn and remitted to the Community Facilities District.

(f) Notwithstanding any other provision of the Fiscal Agent Agreement, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of the Fiscal Agent Agreement and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

Residual School Facilities Fund.

(a) Moneys in the Residual School Facilities Fund may be used by the Community Facilities District for acquisition and/or construction of the Project school facilities; to make deposits to the Rebate Fund under the Fiscal Agent Agreement for the purposes of paying rebatable arbitrage as and when such is due in accordance with the Tax Certificate and the Regulations; or, at the option of the Community Facilities District, for the optional redemption of any of the Bonds under the Fiscal Agent Agreement. Moneys deposited into, or held within, the Residual School Facilities Fund are not pledged to the payment of principal, interest, or premiums on the Bonds.

(b) The Residual School Facilities Fund shall be funded from surplus special taxes transferred to the Residual School Facilities Fund from the Special Tax Fund pursuant to the Fiscal Agent Agreement.

(c) Disbursements from the Residual School Facilities Fund for expenditures on the Project school facilities shall be made by the Fiscal Agent upon receipt of an Authorized Representative's Certificate in substantially the form attached to the Fiscal Agent Agreement as Exhibit "B."

(d) Moneys in the Residual School Facilities Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from such investment and deposit shall remain therein and be applied in the manner provided in subparagraphs (a), (b) and (c) above.

Investments. Moneys held in any of the funds and accounts under the Fiscal Agent Agreement shall be invested at the written direction of the Authorized Representative only in Permitted Investments which shall be deemed at all times to be a part of such funds and accounts.

Permitted Investments may be purchased at such prices as may be directed by the Authorized Representative. All Permitted Investments shall be acquired subject to the limitations set forth in the Fiscal Agent Agreement, the limitations as to maturities set forth in the Fiscal Agent Agreement and such additional limitations or requirements consistent with the foregoing as may be established by the Authorized Representative.

Moneys in all funds and accounts except for the Reserve Fund and the Rebate Fund shall be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Fiscal Agent for the purposes specified in the Fiscal Agent Agreement. Moneys in the Reserve Fund shall be invested in Permitted Investments, maturing in such amounts on the Business Day preceding the next succeeding Interest Payment Dates so that moneys will be available in the Reserve Fund in accordance with the provisions of the Fiscal Agent Agreement to make the principal (including Sinking Payments) and interest payments on the Bonds when due in the event that the moneys in the Bond Fund are

insufficient therefor or in the event that the moneys in the Redemption Fund are insufficient to make a mandatory sinking payment redemption payment; *provided, however*, that if such investments may be tendered or redeemed without premium on the Business Day prior to each Interest Payment Date, 100% of the amount of the Reserve Fund may be invested in such tenderable or redeemable investments of any maturity on or prior to maturity of the Bonds. Permitted Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Permitted Investments for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Fiscal Agent Agreement, with the exception of the Special Tax Fund and the Rebate Fund, shall, at the direction of the Authorized Representative and upon receipt by the Fiscal Agent, be deposited to the following funds and accounts in the order of priority as follows: (i) in the Construction Fund until Completion of the Project, and (ii) in the Special Tax Fund; *provided, however*, that earnings on funds in the Reserve Fund shall be retained therein to the extent needed to bring the balance therein to the Reserve Requirement. All interest, profits and other income received from the investment of moneys in the Special Tax Fund shall, upon receipt by the Fiscal Agent, be retained in the Special Tax Fund.

Notwithstanding anything to the contrary contained in the Fiscal Agent Agreement, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund or account for the credit of which such Permitted Investment was acquired.

For the purpose of determining the amount in any fund or account other than the Reserve Fund, all Permitted Investments credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition). Amounts in the Reserve Fund shall be valued at their fair market value at least semi-annually (or more frequently as may be requested by the Authorized Representative). Notwithstanding anything in the Fiscal Agent Agreement, in making any valuations, the Fiscal Agent may utilize and rely upon such securities pricing services as may be available to it, including those within its accounting system.

The Fiscal Agent may act as principal or agent in the making or disposing of any investment and may invest through or from its own bond department or trust investments department or its parent's or affiliates' bond department or trust investments department. The Fiscal Agent may sell at the best market price obtainable, or present for redemption, any Permitted Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and, subject to the provisions of the Fiscal Agent Agreement, the Fiscal Agent shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the Fiscal Agent may commingle the funds and accounts established under the Fiscal Agent Agreement, but shall account for each separately. Any Permitted Investments that are registerable securities shall be registered in the name of the Fiscal Agent.

COVENANTS AND WARRANTY

Warranty. The Community Facilities District shall preserve and protect the security of the Bonds 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 Community Facilities District, the Bonds shall be incontestable by the Community Facilities District.

Covenants. So long as any of the Bonds are Outstanding and unpaid, the Community Facilities District makes the following covenants with the Bondowners under the provisions of the Act and the Fiscal Agent Agreement (to be performed by the Community Facilities District or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Bonds and tend to make them more marketable; *provided, however*, that said covenants do not require the Community Facilities District to expend any funds or moneys other than the Special Taxes, including amounts, if any, received by the Community Facilities District and available for such purposes pursuant to foreclosure proceedings to enforce the payment of Special Taxes:

(a) Punctual Payment; Against Encumbrances. The Community Facilities District covenants that it will receive all Gross Taxes in trust and will, consistent with the Fiscal Agent Agreement, deposit the Gross Taxes with the Fiscal Agent, and the Community Facilities District shall have no beneficial right or interest in the amounts so deposited except as provided by the Fiscal Agent Agreement. All such Gross Taxes, whether received by the Community Facilities District in trust or deposited with the Fiscal Agent, all as provided in the Fiscal Agent Agreement, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Fiscal Agent Agreement, and shall be accounted for separately and apart from all other money, funds, accounts, or other resources of the Community Facilities District.

The Community Facilities District covenants that it 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, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with the Fiscal Agent Agreement to the extent Net Special Taxes and interest earnings transferred to the Special Tax Fund are available therefor, and that the payments into the Special Tax Fund, the Bond Fund, the Redemption Fund, the Reserve Fund and the Administrative Expense 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 all Supplements and of the Bonds and Additional Bonds issued thereunder. If at any time the balance in the Special Tax Fund and the Reserve Fund is sufficient to redeem all Outstanding Bonds pursuant to the Fiscal Agent Agreement, the Authorized Representative may direct the Fiscal Agent to effect such redemption on the earliest date on which all Outstanding Bonds may be redeemed.

The Community Facilities District will not mortgage or otherwise encumber, pledge, or place any charge upon any of the Gross Taxes, and will not issue any obligation or security superior to or on a parity with the Bonds, payable in whole or in part from the Net Special Taxes except as provided in and in accordance with the Fiscal Agent Agreement.

(b) Levy of Special Tax. Commencing with Fiscal Year 2023-24, the Governing Board of the School District, on behalf of the Community Facilities District, shall levy the Special Tax in an amount which, together with other available amounts on deposit with the Fiscal Agent, is sufficient to pay the principal of and interest on the Bonds as provided in the proceedings and the Administrative Expenses due or coming due, plus the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement or to provide for a reasonably projected delinquency in the Fiscal Year being levied,

so long as any Bonds relating to Improvement Area No. 2 are Outstanding; provided, that the amount of the Special Tax shall not exceed the maximum amounts specified in the Ordinance.

The Community Facilities District shall 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 as provided in the Fiscal Agent Agreement. The Special Taxes are to be payable and collected in the same manner and at the same time and in the same installment as ordinary *ad valorem* property taxes on real property, and, except as provided in the Fiscal Agent Agreement and in the Act, 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 and the same procedures, sale and lien priority in case of delinquency as is provided for *ad valorem* taxes on real property; provided the Community Facilities District may provide for direct collection of the Special Taxes in certain circumstances.

(c) Commence Foreclosure Proceedings. Pursuant to Section 53356.1 of the Act, the Community Facilities District covenants in the Fiscal Agent Agreement with and for the benefit of the Owners that, on or about July 15 of each Fiscal Year (or as reasonably practicable thereafter as fiscal year end collection information is available from the County), the Community Facilities District will review or cause to be reviewed, the public records of the County in connection with the Special Tax of the Community Facilities District levied in the Fiscal Year ending prior to such July to determine the amount of such Special Tax actually collected in such Fiscal Year.

Individual Delinquencies. If the Community Facilities District determines that any single parcel subject to the Special Tax of the Community Facilities District is delinquent in the payment of all or a portion of five semi-annual installments of Special Taxes of the Community Facilities District, the Community Facilities District shall, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. If a delinquency remains uncured, the Community Facilities District shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 120 days after such determination against any parcel for which a notice of delinquency was given pursuant to the Fiscal Agent Agreement and for which such Special Taxes remain delinquent, to the extent permissible under applicable law.

Aggregate Delinquencies. With respect to aggregate delinquencies throughout Improvement Area No. 2, if the Community Facilities District determines (i) that the total amount of delinquent Special Taxes for the prior Fiscal Year, including the total of delinquencies under Individual Delinquencies 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 as a result of a draw on such Reserve Fund, then the Community Facilities District shall, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The Community Facilities District shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than 120 days after such determination against any parcel in Improvement Area No. 2 for which a notice of delinquency was given pursuant to the Fiscal Agent Agreement and for which such Special Taxes remain delinquent, to the extent permissible under applicable law; provided, however, that notwithstanding 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 foreclosure proceedings cost. The

Community Facilities District shall notify the Fiscal Agent on or about 75 days after the determinations of delinquencies as set forth in the second sentence of this paragraph of any delinquency potentially requiring the commencement of a foreclosure action pursuant to the Fiscal Agent Agreement and counsel to the Community Facilities District shall commence, or cause to be commenced, such proceedings not later than 120 days following the determination referenced in the second sentence of this paragraph.

Limiting Provisions. Notwithstanding the foregoing, however, the Community Facilities District shall not be required to order, or take action upon, the commencement of foreclosure proceedings described above with respect to individual delinquencies or aggregate delinquencies, if such delinquencies, if not remedied, will not result in a draw on the Reserve Fund such that the Reserve Fund will fall below the Reserve Requirement and 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. The foregoing sentence shall not affect the requirement(s) for notices of delinquencies pursuant to the Fiscal Agent Agreement with respect to individual delinquencies.

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 shall be 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 Bondowners, by their acceptance of the Bonds, consent to such payment acceptance 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, the Community Facilities District or the Fiscal Agent, acting on behalf of the Community Facilities District, is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act or such lesser amount as determined in the Fiscal Agent Agreement or otherwise under Section 53356.6 of the Act.

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, 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.

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

(d) Payment of Claims. To the extent moneys are available therefor in the Construction Fund, the Community Facilities District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon any portion of the Project owned by the Community Facilities District or upon the Gross Taxes or any part thereof, or upon any funds in the hands of the Fiscal Agent, or which might impair the security of the Bonds; provided that nothing contained in

the Fiscal Agent Agreement shall require the Community Facilities District to make any such payments so long as the Community Facilities District in good faith shall contest the validity of any such claims.

(e) Extension of Payment of Bonds. The Community Facilities District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefit of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Fiscal Agent Agreement shall be deemed to limit the right of the Community Facilities District to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

(f) Against Encumbrances. The Community Facilities District shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Special Taxes and other assets pledged or assigned under the Fiscal Agent Agreement while any of the Bonds are Outstanding, except the pledge and assignment created by the Fiscal Agent Agreement. Subject to this limitation, the Community Facilities District expressly reserves the right to enter into one or more other fiscal agent agreements for any of its corporate purposes, and reserves the right to issue other obligations for such purposes

(g) Power to Issue Bonds and Make Pledge and Assignment. The Community Facilities District is duly authorized pursuant to law to issue the Bonds of each Series and to enter into the Fiscal Agent Agreement and to pledge and assign the Special Taxes and other assets purported to be pledged and assigned, respectively, under the Fiscal Agent Agreement in the manner and to the extent provided in the Fiscal Agent Agreement. The Bonds of each Series and the provisions of the Fiscal Agent Agreement are and will be the legal, valid and binding special obligations of the Community Facilities District in accordance with their terms, and the Community Facilities District and the Fiscal Agent shall at all times, subject to the provisions of the Fiscal Agent Agreement and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Special Taxes with respect to Improvement Area No. 2 and other assets and all the rights of the Bond Owners under the Fiscal Agent Agreement against all claims and demands of all persons whomsoever.

(h) Books and Accounts. The Community Facilities District will keep proper books of records and accounts, separate from all other records and accounts of the Community Facilities District, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or of the Owners of not less than ten percent (10%) of the principal amount of the Bonds or their representatives authorized in writing.

(i) Tax Covenants.

(1) The Community Facilities District covenants, that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The Community Facilities District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Community Facilities District, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code or classified as a "private activity bond" under Section 141 of the Code to the extent applicable to the Bonds. To

that end, the Community Facilities District will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. In the event that at any time the Community Facilities District is of the opinion that for purposes of the Fiscal Agent Agreement it is necessary to restrict or limit the yield on the investment of any moneys held by the Fiscal Agent under the Fiscal Agent Agreement, the Community Facilities District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action(s) as directed in such instructions.

(2) Without limiting the generality of the foregoing, the Community Facilities District agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed, or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The Community Facilities District specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined above the Rebate Amounts, as described in the Tax Certificate. The Fiscal Agent shall comply with all instructions of the Community Facilities District given in accordance with the Tax Certificate.

(3) Notwithstanding any provisions of the Fiscal Agent Agreement, if the Community Facilities District shall provide to the Fiscal Agent an opinion of nationally recognized bond counsel that any specified action required under the Fiscal Agent Agreement is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the Fiscal Agent may conclusively rely on such opinion in complying with the requirements of the Fiscal Agent Agreement, and the covenants thereunder shall be deemed to be modified to that extent notwithstanding the provisions of the Fiscal Agent Agreement.

(j) Completion of Project. The Community Facilities District will diligently carry out and continue to completion with all practical dispatch the acquisition and construction of the Project in a sound and economical manner. The Project to be acquired or constructed may be amended as provided in the Act, but no amendment may be made which would substantially impair the security of the Bonds or the rights of the Owners. The Community Facilities District will maintain the Project, or cause it to be maintained, in accordance with the customary and reasonable maintenance and repair practices for such facilities.

(k) Modification of Maximum Authorized Special Tax. The Community Facilities District covenants that no modification of the maximum authorized Special Tax for 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 Improvement Area No. 2 in any Fiscal Year at such a rate as could generate Special Taxes within Improvement Area No. 2 in each Fiscal Year at least equal to 110% of Annual Debt Service with respect to such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such fiscal year for the Bonds.

The Community Facilities 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 Community Facilities District funds, therefore, commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

(l) Protection of Security and Rights of Owners. The Community Facilities District will preserve and protect the security of the Community Facilities 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 Community Facilities District, the Bonds shall be incontestable by the Community Facilities District.

(m) Exemption of Land from the Special Tax. Notwithstanding the provisions for exemption of land contained in the Rate and Method of Apportionment, the Community Facilities District covenants (i) not to exempt land in Improvement Area No. 2 from the Special Tax in excess of the amount of land which may be exempted pursuant to the Rate and Method of Apportionment and (ii) not to exempt land in Improvement Area No. 2 from the Special Tax if the total amount of land being exempted would prohibit the Community Facilities District from levying the Special Tax revenues in each Fiscal Year at such rate as could generate Maximum Special Tax revenues at least equal to 110% of Annual Debt Service in such Fiscal Year plus a reasonable estimate of Administrative Expenses for such fiscal year.

(n) Continuing Disclosure. Pursuant to the Fiscal Agent Agreement, the Community Facilities District covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the Community Facilities District to comply with its obligations under the Continuing Disclosure Agreement 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 Community Facilities District to comply with the Continuing Disclosure Agreement shall be an action to compel performance. Upon receipt of indemnification to its satisfaction, the Fiscal Agent shall at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement), or the Owners of at least 25% in aggregate principal amount of Outstanding Bonds (but only to the extent funds in an amount satisfactory to the Fiscal Agent have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Fiscal Agent whatsoever, including without limitation fees and expenses of its attorneys) or any Bondowner or Beneficial Owner 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 paragraph. 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.

(o) Compliance with Covenants. The Community Facilities 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 rates of Special Tax, the Community Facilities District shall, to the extent permitted by law, commence and pursue reasonable legal action to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

(p) Waiver of Delinquency and Redemption Penalties; Amnesty Program. The Community Facilities District will not exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds.

(q) Tender of Bonds. The Community Facilities District will not, in collecting the Special Taxes 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 Community Facilities District having insufficient Net Special Taxes to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

AMENDMENTS TO FISCAL AGENT AGREEMENT

Supplements Not Requiring Bondowner Consent. The Community Facilities District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplements thereto for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions 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 resolution or order of the Community Facilities District relating to the Fiscal Agent Agreement, provided that such action shall not adversely affect the interests of the Bondowners;

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

(c) to modify, amend or supplement the Fiscal Agent Agreement in such manner as to permit the qualification of the Fiscal Agent Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds; or

(d) to modify, alter, amend, or supplement the Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners.

Supplements Requiring Bondowner Consent. Exclusive of the Supplements described in the Fiscal Agent Agreement, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve such Supplements as shall be deemed necessary or desirable by the Community Facilities 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, or the payment date of interest on, any Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Bonds over any other Bond or 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 the consent of the Owners of all Bonds then Outstanding.

If at any time the Community Facilities District shall desire to enter into a Supplement, which pursuant to the terms of the Fiscal Agent Agreement shall require the consent of the Bondowners, the Community Facilities District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplement. The Fiscal Agent shall, at the expense of the Community Facilities District, cause notice of the proposed Supplement (or a summary thereof) to be mailed, by first class mail postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the office of

the Authorized Representative for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplement when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding as required by 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 a majority 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 Supplement substantially in the form of the copy referred to in such notice as on file with the School District's Superintendent, such proposed Supplement, when duly entered into by the Community Facilities District and the Fiscal Agent, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority 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 Community Facilities District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the Community Facilities District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the execution and delivery by the Community Facilities District and the Fiscal Agent of any Supplement and the receipt of consent to any such Supplement from the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding 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 Community Facilities District, the Fiscal Agent 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.

Notation of Bonds; Delivery of Amended Bonds. After the effective date of any action taken as provided in the Fiscal Agent Agreement, the Community Facilities District may determine that the Bonds may bear a notation, by endorsement in form approved by the Community Facilities District, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds. If the Community Facilities District shall so determine, new Bonds so modified as, in the opinion of the Community Facilities District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

FISCAL AGENT

Fiscal Agent. U.S. Bank Trust Company, National Association, having a corporate trust office in Los Angeles, California, is hereby appointed Fiscal Agent for the Community Facilities District for the purpose of receiving all money which the Community Facilities District is required to deposit with the Fiscal Agent under the Fiscal Agent Agreement and to allocate, use and apply the same as provided in the Fiscal Agent Agreement.

The Fiscal Agent is hereby authorized to and shall mail by first class mail, postage prepaid, interest payments to the Bondowners, select Bonds for redemption, and maintain the Bond Register. The Fiscal

Agent is hereby authorized to pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or upon redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in the Fiscal Agent Agreement, and to provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in the Fiscal Agent Agreement. The Fiscal Agent shall keep accurate records of all funds administered by it and all Bonds paid and discharged by it.

The Fiscal Agent is hereby authorized to pay the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent shall cancel all Bonds upon payment thereof or upon the surrender thereof by the Community Facilities District, pursuant to the Fiscal Agent Agreement. The Fiscal Agent shall keep accurate records of all Bonds paid and discharged and canceled by it.

Detailed records with respect to each and every Nonpurpose Investment attributable to Gross Proceeds of the Bonds must be maintained by the Fiscal Agent including: (i) purchase date, (ii) purchase price, (iii) any accrued interest paid, (iv) face amount, (v) coupon rate, (vi) periodicity of interest payments, (vii) disposition price, (viii) any accrued interest received, and (ix) disposition date. In the event a Nonpurpose Investment is subject to a receipt of bids, the Community Facilities District shall maintain a record of all information establishing fair market value on the date such investment became a Nonpurpose Investment. Such detailed recordkeeping is required for the calculation of the Rebate Requirement which, in part, will require a determination of the difference between the actual aggregate earnings of all Nonpurpose Investments and the amount of such earnings assuming a rate of return equal to the Yield on the Bonds.

The Community Facilities District shall from time to time, subject to any agreement between the Community Facilities District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its powers and duties under the Fiscal Agent Agreement, and indemnify and save the Fiscal Agent harmless against costs, claims, expenses and liabilities, including fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties under the Fiscal Agent Agreement, which indemnity shall survive discharge of the Bonds, or removal or resignation of the Fiscal Agent. All amounts owed by the Community Facilities District to the Fiscal Agent shall constitute Administrative Expenses.

Removal of Fiscal Agent. The Community Facilities District may at any time, in the exercise of its sole discretion, remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company doing business and having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority and provided that no event of default under the Fiscal Agent Agreement shall then be in existence. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this paragraph the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Community Facilities District shall notify the Bondowners in writing of any such removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent and notice being sent to the Bondowners of the successor Fiscal Agent's identity and address as provided pursuant to the Fiscal Agent Agreement.

Resignation of Fiscal Agent. The Fiscal Agent may at any time resign by giving written notice to the Community Facilities District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the Bond Register. Upon receiving such notice of resignation, the Community Facilities District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent, and notice to the Bondowners of the Fiscal Agent's identity and address.

Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained in the Fiscal Agent Agreement, and in the Bonds shall be taken as statements, promises, covenants and agreements of the Community Facilities 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 of the Bonds or any document in connection with the sale of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations assigned to or imposed upon the Fiscal Agent in the Fiscal Agent Agreement or in the Bonds or in the certificate of authentication. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the Bonds for value. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct.

The Fiscal Agent shall have no duty or obligation whatsoever to enforce the collection of funds to be deposited with it pursuant to the Fiscal Agent Agreement, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the Community Facilities District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered pursuant to the Fiscal Agent Agreement in good faith and in accordance therewith.

No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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

Successor Fiscal Agent. Any corporation, association or agency into which the Fiscal Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor fiscal agent under the Fiscal Agent Agreement and vested with all the trusts, powers, discretions, immunities, privileges and all other matters

as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything in the Fiscal Agent Agreement to the contrary notwithstanding.

EVENTS OF DEFAULT; REMEDIES

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

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

(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 Community Facilities District in the observance of any of the other covenants, agreements or conditions on its part in the Fiscal Agent Agreement or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Community Facilities District by the Fiscal Agent; *provided, however*, that if in the reasonable opinion of the Community Facilities District the default stated in the notice can be corrected, but not within such sixty (60) day period, such default shall not constitute an Event of Default thereunder if the Community Facilities District shall commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

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 Community Facilities District and any of the members, officers, and employees of the Community Facilities District, and to compel the Community Facilities 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) By a suit in equity to require the Community Facilities District and its members, officers, and employees to account as the trustee of an express trust.

Nothing in any other provision of the Fiscal Agent Agreement, or in the Bonds, shall affect or impair the obligation of the Community Facilities 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 or upon mandatory redemption, as therein provided, out of the Net Special 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. The Bonds shall not be subject to acceleration.

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 provisions of the Fiscal Agent Agreement relating to events of default and remedies 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 Community Facilities 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 in the Fiscal Agent Agreement conferred 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 hereafter 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.

DEFEASANCE

Defeasance. If the Community Facilities District shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of any Outstanding Bonds the interest and premium, if any, due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Fiscal Agent Agreement, then the Owners of such Bonds shall cease to be entitled to the pledge of Net Special Taxes, and all covenants, agreements and other obligations of the Community Facilities District to the Owners of such Bonds under the Fiscal Agent Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Fiscal Agent shall execute and deliver to the Community Facilities District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the Community Facilities District after the payment of any amounts due the Fiscal Agent under the Fiscal Agent Agreement all money or securities held by them pursuant to the Fiscal Agent Agreement which are not required for the payment of the interest due on, and the principal of, such Bonds.

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

(a) by paying or causing to be paid the principal of and interest with respect to such Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund, the Bond Fund and the Redemption Fund, is fully sufficient to pay the principal of, premium and interest on all Bonds Outstanding as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, in trust, Federal Securities in such amount as the Authorized Representative shall determine will, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund, the Bond Fund and the Redemption Fund, together with the interest to accrue thereon without further investment, be fully sufficient to pay and discharge the principal of,

premium, if any, and interest on all Bonds Outstanding as and when the same shall become due and payable; then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the Community Facilities District under the Fiscal Agent Agreement with respect to all Outstanding Bonds shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid, all sums due thereon. For the purpose of the Fiscal Agent Agreement, Federal Securities shall mean and include only such securities as are described in the definition of "Federal Securities" in the Fiscal Agent Agreement which: (x) shall not be subject to redemption prior to their maturity other than at the option of the holder thereof unless the moneys to be available from the redemption of such securities on the earliest date on which such securities are subject to redemption, other than at the option of the holder thereof, shall be at least equal to the amount of money expected to be derived in connection with such securities in determining that the provisions of the Fiscal Agent Agreement have been satisfied; and (y) which are then permitted to be applied as provided in the Fiscal Agent Agreement under applicable law. Any money or securities deposited with the Fiscal Agent to defease the Bonds shall be accompanied by a certificate of a certified public accountant confirming the accuracy of the calculations establishing the sufficiency of such deposit, and an opinion of Bond Counsel stating that the deposit of such moneys or securities to defease the Bonds will not adversely affect the exclusion from gross income, for federal income tax purposes, of interest on the Bonds. Any funds held by the Fiscal Agent at the time of a payment or defeasance of the Bonds, which are not required for such purpose, or for the payment of amounts due to the Fiscal Agent under the Fiscal Agent Agreement shall be paid over to the Community Facilities District and may be used by the Community Facilities District for any lawful purpose.

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APPENDIX E

FORM OF COMMUNITY FACILITIES DISTRICT CONTINUING DISCLOSURE AGREEMENT

\$4,145,000 COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF THE HEMET UNIFIED SCHOOL DISTRICT IMPROVEMENT AREA NO. 2 2024 Special Tax Bonds

This CONTINUING DISCLOSURE AGREEMENT (the “**Disclosure Agreement**”) is executed and entered into as of March 1, 2024, by and between Community Facilities District No. 2018-1 of the Hemet Unified School District (the “**Community Facilities District**”) and Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices (“**ABP**”), in its capacity as dissemination agent (the “**Dissemination Agent**”), in connection with the issuance of \$4,145,000 aggregate principal amount of Community Facilities District No. 2018-1 of the Hemet Unified School District (Improvement Area No. 2) 2024 Special Tax Bonds (the “**Bonds**”);

W I T N E S S E T H :

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of March 1, 2024 (the “**Fiscal Agent Agreement**”), by and between the Community Facilities District and U.S. Bank Trust Company, National Association (the “**Fiscal Agent**”), the Community Facilities District has issued the Bonds in the aggregate principal amount set forth above; and

WHEREAS, the Bonds are payable from and secured by special taxes levied on certain property within Improvement Area No. 2.

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Community Facilities District for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with Securities and Exchange Commission (“**S.E.C.**”) Rule 15c2-12(b)(5) (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or in this Disclosure Agreement, 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 Agreement.

“Annual Report Date” shall mean April 1 next following the end of the Community Facilities District’s fiscal year, which fiscal year end, as of the date of this Disclosure Agreement, is June 30.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Community Facilities District” shall mean Community Facilities District No. 2018-1 of the Hemet Unified School District.

“Disclosure Representative” shall mean the Deputy Superintendent, Business Services, or his designee, or such other officer or employee as the Community Facilities District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean ABP, 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 S.E.C. for compliance with the Rule.

“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 a clause (i) debt obligation or of a clause (ii) a derivative instrument described 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.

“Improvement Area No. 2” means Improvement Area No. 2 of the Community Facilities District.

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

“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.

“Obligated Person” means any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement (e.g., the Community Facilities District as to the Bonds) to support payment of all, or part of the obligations of the municipal securities to be sold (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” shall mean the Official Statement, dated February 22, 2024, relating to the Bonds.

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

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated.

“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.

“School District” shall mean the Hemet Unified School District.

“State” shall mean the State of California.

Section 3. Provision of Annual Reports.

(a) The Community Facilities District shall, or, shall cause the Dissemination Agent to provide, not later than the Annual Report Date, commencing April 1, 2025, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB, and to the Fiscal Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the Annual Report Date, the Community Facilities District shall provide the Annual Report to the Dissemination Agent (if other than the Community Facilities District) and the Fiscal Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; *provided* that the audited financial statements (if any are prepared) of the Community Facilities District may be submitted separately from the balance of the Annual Report and later than the Annual Report Date if they are not available by that date. For purposes of this section and Section 4(a), the audited financial statements of the School District shall not be deemed to be the audited financial statements of the Community Facilities District unless such audited financial statements contain specific information as to the Community Facilities District, its revenues, expenses and account balances. If the Community Facilities District's fiscal year changes, the Community Facilities District shall give notice of such change in the same manner as for a Listed Event under Section 5(f). If the Dissemination Agent has not received a copy of the Annual Report on or before 15 business days prior to the Annual Report Date in any year, the Dissemination Agent shall notify the Community Facilities District and the Fiscal Agent of such failure to receive the applicable Annual Report. The Community Facilities District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Community Facilities District and shall have no duty or obligation to review such Annual Report.

(b) If the Community Facilities District is unable to provide to the MSRB through the EMMA System, and to the Fiscal Agent, an Annual Report by the Annual Report Date, the Community Facilities District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice through the EMMA System, if any.

- (c) With respect to each Annual Report, the Dissemination Agent shall:
 - (i) determine each year prior to the Annual Report Date the then applicable rules and electronic filing requirements and format prescribed by the MSRB for the filing of annual continuing disclosure reports;
 - (ii) provide any Annual Report received by it to the MSRB through the EMMA System and to the Fiscal Agent, as provided herein; and
 - (iii) if the Dissemination Agent is other than the Community Facilities District and to the extent it can confirm such filing of an Annual Report, file a report with the Community Facilities District and the Fiscal Agent certifying that an Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

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

(a) The Community Facilities District does not currently prepare audited financial statements and it is not anticipated that the Community Facilities District will prepare audited financial statements in the future. If the Community Facilities District will prepare audited financial statements, the Community Facilities District's Annual Report shall contain or incorporate by reference such audited financial statements, if any, of the Community Facilities District, for the most recently completed fiscal year 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 audited financial statements of the Community Facilities District, are to be prepared, but are not available at the time required for filing, unaudited financial statements of the Community Facilities District, shall be submitted with the Annual Report, and audited financial statements shall be submitted once available. As stated in Section 3(a), the financial statements of the School District shall not be deemed to be the financial statements of the Community Facilities District, unless such financial statements contain specific information concerning the Community Facilities District, its revenues, expenses and account balances. If the School District's audited financial statements contain specific information as to the Community Facilities District, its revenues, expenses and account balances, the Community Facilities District's Annual Report shall contain or incorporate by reference such School District's audited financial statements and in such event, the School District's audited financial statements may be accompanied by a statement substantially to the following effect:

THE SCHOOL DISTRICT'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES AND EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE COMMUNITY FACILITIES DISTRICT OR THE SCHOOL DISTRICT OTHER THAN NET SPECIAL TAXES ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE COMMUNITY FACILITIES DISTRICT NOR THE SCHOOL

DISTRICT IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES IN PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE SCHOOL DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) The following information regarding the Bonds, and any parity bonds issued by the Community Facilities District:

- (i) Principal amount of Bonds, and/or any refunding bonds issued by the Community Facilities District with respect to Improvement Area No. 2, outstanding as of a date within 45 days preceding the date of the Annual Report;
- (ii) Balance in the Special Tax Fund and the Bond Fund as of a date within 60 days preceding the date of the Annual Report;
- (iii) Balance in the Reserve Fund and a statement of the Reserve Requirement, as of a date within 60 days preceding the date of the Annual Report;
- (iv) While there are funds in the Construction Fund, or any accounts or any subaccounts thereof, the balance in the Construction Fund, and each account or subaccount thereunder, as of a date within 60 days preceding the date of the Annual Report, and of any other fund or account held under the terms of the Fiscal Agent Agreement not referenced in clauses (ii), (iii) or (iv) hereof;
- (v) A table summarizing assessed value-to-burden ratios for the property within Improvement Area No. 2 based on the applicable land use categories under the Rate and Method of Apportionment of Special Tax for Improvement Area No. 2 (the “**Rate and Method**”). The assessed values in such table will be determined by reference to the value of the parcels within Improvement Area No. 2 on which the Special Taxes are levied, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 2 next preceding the Annual Report Date. The value-to-burden values in such table will include all Bonds then outstanding and any refunding bonds in Improvement Area No. 2 and need not include other debt secured by a special tax or assessments levied on parcels within Improvement Area No. 2.
- (vi) Information regarding the amount of the annual Special Taxes levied in Improvement Area No. 2, amount collected, delinquent amounts, prepayments of Special Taxes, if any, and percent delinquent for the most recently completed fiscal year;
- (vii) A land ownership summary listing property owners, if any, responsible for more than 5% of the Special Tax levy as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within Improvement Area No. 2 owned by such

property owners, and the assessed value of such property, as shown on such assessment roll;

- (viii) Concerning parcels within Improvement Area No. 2 delinquent in the payment of Special Taxes to the Community Facilities District as of the immediately preceding November 1 (if applicable), status of foreclosure proceedings, if any, and summary of results of foreclosure sales, if applicable e.g.;

- number of parcels within Improvement Area No. 2 delinquent in payment of Special Taxes,
- total of such delinquency and percentage of delinquency in relation to the total Special Tax levy,
- status of the actions taken by the School District and/or the Community Facilities District related to any foreclosure proceedings upon delinquent properties within Improvement Area No. 2;

- (ix) Identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding November 1, if applicable, plus;

- assessed value of applicable properties, and
- summary of results of foreclosure sales, if available;

- (x) A copy of any report for or concerning the Community Facilities District, with respect to Improvement Area No. 2, as of the immediately preceding October 31, as required under State law; and

- (xi) Any changes to the Rate and Method applicable to Improvement Area No. 2 approved or submitted to the qualified electors with respect to Improvement Area No. 2 for approval prior to the filing of the Annual Report.

(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, in the light of the circumstances under which they are 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 are available to the public on the MSRB's EMMA System (or equivalent as may then be in place) or filed with 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 Listed Events.

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

- (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 the 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 the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

⁽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 an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or

- (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 under Section 5(a) 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 Agreement, "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 corporate trust office of the Dissemination Agent. The Dissemination Agent shall have no responsibility for determining the materiality of any of the Listed Events. Notwithstanding the foregoing, notice of a Listed Event described in subsection (a)(viii) above need not be given any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Fiscal Agent Agreement.

(d) As soon as practicable, so as to satisfy the requirements of section 5(a), the Community Facilities District shall notify the Dissemination Agent in writing of the occurrence of any of the Listed Events. 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), (vi) (with respect to 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), (viii) (if the event is a bond call), (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

governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing 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 Obligated Person.

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 in a timely manner, not in excess of ten business days, so as to satisfy the requirements of Section 5(a), a notice of such occurrence with the MSRB through the EMMA System (or equivalent as may then be in place).

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. All of the Community Facilities District's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the Bonds, (ii) prior redemption of the Bonds or (iii) payment in full of all the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 8. Dissemination Agent. The Community Facilities District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be ABP. The Dissemination Agent may resign by providing thirty days' written notice to the Community Facilities District and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Community Facilities District in a timely manner and in a form suitable for filing.

Section 9. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Community Facilities District, the Fiscal Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the Community Facilities District, so long as such amendment does not adversely affect the rights or obligations of the Fiscal Agent or the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, *provided* that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an Obligated Person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by owners of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the

Fiscal Agent Agreement with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial 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 filed with the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(f).

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Community Facilities District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the 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 Agreement, the Community Facilities District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may, and (at the written direction of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) any owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Community Facilities District, the Fiscal Agent or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. Neither the Fiscal Agent nor the Dissemination Agent shall have any liability to the owners of the Bonds or any other party for monetary damages or financial liability of any kind whatsoever relating to or arising from this Disclosure Agreement.

Section 12. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent.

The Dissemination Agent and the Fiscal Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. This Disclosure Agreement does not apply to any other securities issued, or to be issued, by the Community Facilities District. The Dissemination Agent shall have no obligation to make any disclosure concerning the Bonds, Improvement Area No. 2, the Community Facilities District, or any other matter, except as expressly set out herein, provided that no provision of this Disclosure Agreement shall limit the duties or obligations of the Fiscal Agent under the Fiscal Agent Agreement. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. The fact that the Fiscal Agent has or may have any banking, fiduciary or other relationship with the Community Facilities District or any other party, apart from the relationship created by the Fiscal Agent Agreement and this Disclosure Agreement, shall not be construed to mean that the Fiscal Agent has knowledge or notice of any event or condition relating to the Bonds, Improvement Area No.2, or the Community Facilities District, except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the Community Facilities District as to the materiality of any event for purposes of Section 5 hereof. Neither the Fiscal Agent nor the Dissemination Agent makes any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent and the Fiscal Agent shall be paid compensation by the Community Facilities District for their services provided hereunder in accordance with their schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent and the Fiscal Agent in the performance of their duties hereunder. The Community Facilities District's obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 13. Beneficiaries. The Participating Underwriter and the owners and beneficial owners from time to time of the Bonds shall be third-party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Notices. Any notice or communications to or among any of the parties to this Disclosure Agreement 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 Hemet Unified School District 1791 West Acacia Avenue Hemet, California 92545 Telephone: (951) 765-5100 ext. 5000 Attention: Deputy Superintendent, Business Services
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If to the Dissemination Agent:	Fieldman, Rolapp & Associates, Inc. dba Applied Best Practices 19900 MacArthur Boulevard, Suite 1100 Irvine, California 92612 Telephone: (949) 660-7300 Telecopier: (949) 474-8773
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If to the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated 2121 Avenue of the Stars, Suite 2150 Los Angeles, California 90067 Attention: Public Finance
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provided, however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

Section 15. 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 landowner within Improvement Area No. 2 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 Agreement shall be deemed to obligate the Community Facilities District to disclose information concerning any owner of land within Improvement Area No. 2 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.

Section 16. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 17. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State.

Section 18. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 19. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

HEMET UNIFIED SCHOOL DISTRICT,
on behalf of Community Facilities District No. 2018-1
of the Hemet Unified School District

By:

Authorized Officer

FIELDMAN, ROLAPP & ASSOCIATES, INC.
DBA APPLIED BEST PRACTICES, as
Dissemination Agent

By:

Authorized Officer

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Bond Counsel to Community Facilities District No. 2018-1 of the Hemet Unified School District, proposes to render their final approving opinion with respect to the Bonds in substantially the following form:

[Closing Date], 2024

Governing Board
Hemet Unified School District
1791 W. Acacia Avenue
Hemet, CA 92545

Re: Community Facilities District No. 2018-1 of the Hemet Unified School District
Improvement Area No. 2
2024 Special Tax Bonds
Final Opinion of Bond Counsel

Ladies and Gentlemen:

We have acted as bond counsel to the Hemet Unified School District (the “**School District**”), the governing board of which is the Legislative Body of Community Facilities District No. 2018-1 of the Hemet Unified School District (the “**Community Facilities District**”) in connection with the issuance by the Community Facilities District of \$_____ aggregate principal amount of Community Facilities District No. 2018-1 of the Hemet Unified School District Improvement Area No. 2 2024 Special Tax Bonds (the “**Bonds**”), pursuant to and by authority of the provisions of the Mello-Roos Community Facilities Act of 1982 of the State of California (constituting Sections 53311 *et seq.* of the Government Code of the State of California, as amended), Resolution No. 3042 of the Board acting in its capacity as the Legislative Body of the Community Facilities District adopted on February 13, 2024, and the Fiscal Agent Agreement, dated as of March 1, 2024 (the “**Fiscal Agent Agreement**”), by and between the Community Facilities District and U.S. Bank Trust Company, National Association, as fiscal agent (the “**Fiscal Agent**”). Capitalized terms used herein and not otherwise defined shall have the meanings given thereto in the Fiscal Agent Agreement.

In such connection, we have examined the record of the proceedings submitted to us in connection with the formation of the Community Facilities District, and the issuance of the Bonds, including the Fiscal Agent Agreement, the Tax Certificate (the “**Tax Certificate**”), dated the date hereof, the certifications of the Community Facilities District, the School District, the Fiscal Agent, and others, and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements, and procedures contained or referred to in the Fiscal Agent Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, redemption or defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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 other matters 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 their issuance and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Community Facilities District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Fiscal Agent Agreement, the Tax Certificate, and in certain other documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions, and events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Fiscal Agent Agreement, and the Tax Certificate and in certain other documents and their enforceability are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental agencies in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion upon the plans, specifications, maps, financial reports, appraisals, market studies, and other engineering or financial details of the proceedings, or upon the Rate and Method or the validity of the special taxes levied by the Community Facilities District upon any individual separate parcel within Improvement Area No. 2. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion relating thereto.

The Fiscal Agent Agreement and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, 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 occurs or action is taken upon the advice or approval of counsel other than ourselves.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special tax obligations of the Community Facilities District, payable solely from the proceeds of the Net Special Taxes (as that term is defined in the Fiscal Agent Agreement) levied in Improvement Area No. 2 relating to the Bonds and certain funds held under the Fiscal Agent Agreement to the extent specified in the Fiscal Agent Agreement.

2. The Fiscal Agent Agreement has been duly authorized, executed, and delivered by the Community Facilities District, and assuming due authorization, execution, and delivery by the Fiscal Agent, and constitutes the valid and binding limited obligation of, the Community Facilities District.

3. Interest on the Bonds is excluded from gross income of the owners of the Bonds 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 a specific preference item for

purposes of the federal alternative minimum taxes imposed on individuals. Interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022.

We express no opinion regarding other federal or state tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The foregoing represent our interpretation of applicable law to the facts as described herein. We bring to your attention that our opinions and conclusions are an expression of professional judgment and are not a guarantee of a result.

Sincerely,

JAMES F. ANDERSON LAW FIRM,
A PROFESSIONAL CORPORATION

By: _____
James F. Anderson, Esq.

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APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds (herein, the “Securities”) to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC 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.

Neither the issuer of the Securities (the “District”) nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the “Agent”) takes any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, DTC Participants, Direct Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 District or Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or 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.

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

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

11. 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, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

